Austria	Sch 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1200	S. Arabia	Rls 6.00
Belgium	Bfr 38	Japan	Y500	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pts 100
Cyprus	C£0.60	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	L 8.00	Sweden	Skr 8.50
Egypt	E£1.00	Luxembourg	Lfr 38	Switzerland	SFr 2.00
Finland	Fmk 5.50	Malaysia	Rm 4.25	Taiwan	NT$ 65
France	Fr 5.00	Mexico	Pes 300	Tunisia	Din 0.800
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 160
Greece	Dr 60	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 6.00	U.S.A.	$1.50
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,504 — Wednesday December 19 1984 — D 8523 B

The shadowy world of disaster insurance, Page 4

NEWS SUMMARY

GENERAL

Israeli coalition faces threat

A fresh rift in the Israeli coalition government of Mr Shimon Peres has intensified and threatens to bring down his five-month-old administration.

The right-wing Likud bloc, one of the main pillars of the unity government, has reaffirmed its determination to support a demand from Shas, an ultra-orthodox faction that quit the coalition last weekend, that it have control over most religious affairs.

Mr Yitzhak Shamir, the Foreign Minister and leader of the Likud, yesterday stormed out of a Cabinet meeting and told reporters: "This Government is in danger... the situation is grave." Page 12

Conservative revolt

Britain's Conservative Government faces new revolts from its backbench MPs over its plans to develop Stansted in Essex as London's third international airport and its proposals for investment in public housing. Page 12

Thatcher in Peking

British Prime Minister Mrs Margaret Thatcher arrived in Peking to complete agreement on the future of Hong Kong, which is to return to Chinese control in 13 years. Page 3

Poison gas returned

France has returned to the U.S. a cargo of methyl isocyanate, the poisonous gas that killed more than 2,000 people in Bhopal, India, after it escaped from a Union Carbide plant. Page 4

New UN centre

The United Nations decided to spend $73.5m on a conference centre in Ethiopia, despite objections by the U.S.

Beirut violence

Two French soldiers serving with the UN force in Lebanon were wounded when their convoy came under fire south of Beirut.

Iraq claims attack

Iraq claimed its sixth attack in four days on merchant ships in the Gulf, and vowed to make the war zone around Iran's Kharg Island oil terminal "a graveyard for any vessel entering the area."

Command error

A $50m U.S. weather satellite was almost lost earlier this month when a ground controller issued wrong commands that sent it tumbling out of control.

Spanish party split

Five members of the Central Committee of the Spanish Communist Party have defected to join the pro-Soviet faction launched earlier this year.

Computer for blind

A blind engineer working for Air France, the French airline, has developed a computer word processor that can be used by blind people.

UK Jews protest

Britain's Jewish community has threatened to boycott British Airways, the state airline, because it placed stickers over an advertisement in its flight magazine that implied that Jerusalem was in Israel, a matter that the Palestine Liberation Organisation disputes.

Hungry for TV

Millions of Hungarians watched the first uncensored television programme on foreign affairs and later jammed the station with telephone calls and questions. Page 2

BUSINESS

Wall St surges to close up 34.78

WALL STREET share prices soared on the growing conviction that the Federal Reserve is easing credit policies again. The Dow Jones industrial average closed up 34.78 at 1,211.57. Section III

DOLLAR was also lower in London, falling to DM 3.0870 (DM 3.089), SwFr 2.522 (SwFr 2.549), FFr 9.4575 (FFr 9.4725) and Y246.7 (Y247.5). On Bank of England figures, its exchange index fell to 142.7 from 143.1. In New York it closed at DM 3.082, FFr 9.4425, SwFr 2.542 and Y246.75. Page 33

STERLING fell to an all-time closing low against the dollar in London at $1.186, a fall of 50 points on the day. It also declined to DM 3.66 (DM 3.6875), SwFr 3.0125 (SwFr 3.0375), FFr 11.2225 (FFr 11.3075) and Y292.5 (Y294.75). The pound's exchange index fell to 73.6 from 74.1. In New York it closed at $1.1875. Page 33

LONDON equities reached another record despite the fall in sterling. Gilts fluctuated nervously. The FT Ordinary index rose 1.6 to a new high of 939.9. Section III

TOKYO shares moved higher in the face of heavy profit-taking in blue chips. The Nikkei Dow market average gained 4.54 to 11,460.21. Section III

GOLD fell $1 on the London bullion market to $309.25. It was also lower in Zurich at $309.25. In New York the Comex December settlement was $308.70. Page 32

U.S. COMPUTER industry has reacted with alarm to the disclosure that IBM's target for personal computer sales next year is for 30 per cent growth, representing a serious threat to competitors. Page 13

WEST GERMAN Cabinet has approved DM 20bn ($6.5bn) of income tax cuts, the biggest in the country's history.

A ZURICH judge has approved a creditor's application to open bankruptcy proceedings against Nova-Park, the Swiss hotel group. The request was from a Zurich subsidiary of Badische Kommunale Landesbank, which has claims of SwFr 5.1m ($2m) against Nova-Park.

SALÉNINVEST'S chairman Sven Salén met Swedish Prime Minister Olof Palme in a last effort to save the shipping group from financial collapse. Its fate is expected to be decided today. Page 13

ROBERT HOLMES à Court's Bell group sold a 5.5 per cent stake in Elders IXL for A$6m ($5m) to clients of Hill Samuel Australia. Page 16

YAMAHA MOTOR, the world's second largest manufacturer of motorcycles, swung back into pre-tax profits of Y1bn ($4m) in the half year to October 30 compared with the previous first half loss of Y13.9bn. Page 16

VOLKSWAGEN, West German motor vehicle group, will report a profit this year after losses totalling DM 515m ($171m) in the previous two years. Page 14

ANACOMP, financial troubled U.S. software and data services group, lost $116.2m in the year to September 30, sharply higher than its $3.9m deficit in the previous year. Fourth-quarter loss of $43.3m was a company record.

OLIVETTI, Italy's leading data-processing equipment company, is to seek stock exchange listings in Brussels and Zurich early in January. Page 14

We apologise for any typographical errors in this edition resulting from action by the National Graphical Association and Sogat members in the FT reading room in London. Unit trust prices are also incomplete today because of transmission difficulties in London.

Price Waterhouse and Deloitte vote rejects merger

BY ALISON HOGAN IN LONDON

TWO of the world's leading chartered accountancy firms, Price Waterhouse and Deloitte, Haskins & Sells, yesterday abandoned plans to merge.

A secret ballot of partners around the world failed to secure the necessary support in "certain important countries," the firms announced.

Price Waterhouse and Deloitte, Haskins & Sells are the fifth and seventh largest accountance firms in the U.S. and fourth and third respectively in the UK.

The merger proposals, announced at the end of August received a cool reception from the UK firms, whose fee income is increasing steadily and who saw no logic for the merger at a national level.

Mr Eric Meade, senior partner of Deloitte UK, said: "The merger is completely and utterly aborted."

News that the merger had been rejected surprised other leading accountancy firms, and many expressed relief that it was not to go ahead.

Touche Ross International's chairman, Mr Douglas Baker, said it was striking that the firms' leadership "allowed such extensive time and attention to a project that ultimately lacked effective partner support."

The prospect of such a large merger caused some other leading firms to make a serious reappraisal of their own future strategies and positions in the marketplace. The accountancy profession has become increasingly competitive and aggressive in marketing its services.

Mr Bill Macky, senior partner of Ernst & Whinney UK, said: "The frenetic activity and rumours were bad for the profession. Now we can consider a strategy at a more measured pace."

The proposed merger was criticised by the profession when it was announced. Many firms had decided that it would probably succeed, however, as it had reached such an advanced stage of discussion and had the strong support of senior management of both firms.

"This demonstrates just how difficult it is to manage large-scale partnerships along the lines of a corporation," said Mr Colin Sharman of Peat Marwick Mitchell.

The result of the secret ballot, organised by a firm of lawyers, was disclosed on Friday to the chairmen of the firms' worldwide organisations, Mr Michael Coates and Mr Charles Steele. They are refusing to announce the pattern of voting and which countries and partnerships failed to provide the necessary support.

The firms' policy committees had decided that 75 per cent support was needed from four big national practices in the U.S., Canada, Britain and Australia.

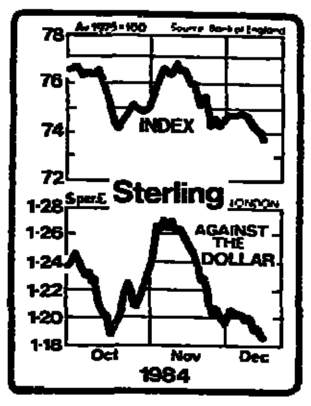
U.S. practices were thought to have pushed for the merger, exerting strong influence on the other practices, which depend on a considerable amount of referral work from large American clients.

Their combined fee incomes would have only just put them into first place in the U.S. They were particularly keen to strengthen their resources in the consulting field.

The merger proposal seemed less logical in the UK, where both firms hold strong positions both in size of fee income and in representation in important industrial sectors.

The UK Office of Fair Trading (OFT) was reluctant to give its approval for the merger, fearing that it would lead to others and result in a concentration of audit in too few hands.

Editorial comment, Page 10; Background, Page 14



£ weak; U.S. rates fall again

By Philip Stephens in London and Paul Taylor in New York

STERLING fell to a record low against other leading currencies yesterday, depressed by weakening oil prices and the apparent resilience of the dollar in the face of falling U.S. interest rates.

Wall Street investors went on a pre-holiday buying binge yesterday, sending stock and bond prices soaring while short-term interest rates fell sharply.

The immediate catalyst for the bull rally was the continued sharp decline in U.S. interest rates, bolstering speculation about a possible further discount-rate cut from its current 8.5 per cent level. The Federal Reserve Board's policymaking Federal Open Market Committee ended its closed-doors two-day session yesterday.

The drop in the pound's value, which came ahead of today's meeting of Opec ministers in Geneva, took the sterling index to an all-time low of 73.6 at the London close, 0.5 points down on the day and compared to the previous low of 74.0 in October.

Against the dollar, it fell at one stage to $1.1795, before recovering partly to close 0.5 cents lower at $1.1860.

In New York the pound continued to fall, finishing at $1.1875. Other currencies closed at DM 3.082, FFr 9.4425, SwFr 2.542 and Y246.75.

Foreign exchange dealers said the UK currency was depressed by sentiment that the Opec meeting would be able to do little to reverse the trend of falling oil prices.

The extent of sterling's weakness may have been exaggerated by the relative thinness of trading ahead of the Christmas holiday, and dealers said there was no sign as yet of a serious run on the pound.

The UK Government is expected to take a fairly relaxed view of the fall unless it accelerates in coming days, and there was little evidence

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Sterling limit dropped, Page 2; Raising crude rates, Page 3; Britain's PSBR, Page 7; Money markets, Page 33

Reagan limits defence cuts to $28.1bn

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT RONALD Reagan has decided to cut projected U.S. defence spending by $28.1bn over the next three years, less than half the amount proposed by his senior budget advisers, the White House announced yesterday.

The decision was widely seen in Washington as a victory for Mr Caspar Weinberger, the Defence Secretary, who had fought a lone Cabinet battle to protect the U.S. military build-up from much more stringent surgery.

Hailing the result as "extremely satisfactory," Mr Weinberger yesterday said it should allow the "necessary strengthening" of the U.S. deterrent to continue.

While Mr Weinberger has long argued that U.S. defence spending should reflect the growing military threat from the Soviet Union, Mr Reagan is also concerned that too sharp a cut now would be viewed in Moscow as a sign of weakness on the eve of the resumption of arms control talks between Mr George Shultz, the U.S. Secretary of State, and Mr Andrei Gromyko, the Soviet Foreign Minister, in Geneva on January 7.

Mr Larry Speakes, the White House Spokesman, said Mr Reagan remained committed to his plan to halve the budget deficit to about $100bn by fiscal 1988, which begins of October 1, 1987. Shortfalls as a result of the modest defence cuts projected for fiscal 1987 and 1988 could be "dealt with later," he said.

The defence reductions were nevertheless expected to be regarded as inadequate by both Democrats and Republicans in Congress, who have called for substantial cuts in military spending if they are to approve the severe pruning of domestic and social programmes that Mr Reagan is also proposing.

Both Mr Speakes and Mr Weinberger yesterday pointed out that the $8.7bn cut in defence outlays proposed for the coming budget year, fiscal 1986, was more than the $8bn recommended by Mr David Stockman, the budget director. Mr Weinberger added that the figure would bring spending down to $1bn below the amount recommended by Congress two months ago.

The cuts projected for 1987 and 1988, however, would be far less than those proposed by Mr Stockman, Mr Weinberger said that the reductions envisaged for those two "out years," $9.2bn in 1987 and $10.2bn in 1988, simply represented the continuing effects of the cuts proposed for 1986.

Mr Stockman had called for cuts of $20bn in 1987 and $30bn in 1988, for a total of $58bn over the three budget years 1986–88. Mr Weinberger last week offered $21bn, composed of three annual cuts of $6bn to $7bn each.

Mr Mikhail Gorbachev, the presumed number two in the Soviet Politburo, urged the U.S. to make a move that would bring about effective East-West arms negotiations. Mr Gorbachev also reaffirmed that Moscow considered space weapons as the key issue of the moment. He made his appeal on the arms talks during a meeting with Britain's parliamentary foreign affairs committee. During the session, he showed his first flash of irritation since arriving in London on Saturday for a one-week visit when he rebuffed questions on Moscow's human rights record. Page 2

Mr Weinberger said Mr Reagan's decision should allow for a real growth in defence spending authority of between 5.7 and 6.4 per cent next year. While cuts of $2.5bn would have to be found in military programmes, the big-ticket items of the defence build-up, such as the B-1 bomber and the MX intercontinental missile, would not be affected.

The remainder of the cuts for fiscal 1986 would be achieved by downward revision of inflation and fuel cost estimates, the impact of Mr Reagan's proposed pay reductions on civilian Pentagon employees and a downward adjustment of proposed pay increases for the armed forces, he said.

The White House said that under yesterday's decision the defence budget would rise from $258.6bn in the current fiscal year, which ends on September 30, to $277.5bn in 1986, $312.3bn in 1987 and $348.6bn in 1988.

Mr Weinberger expressed great relief that the "out year" spending had been spared the savage cuts that Mr Stockman had requested, saying it was not possible to prejudge the desired level of military spending two years in advance.

He hoped that spending in the "out years" would in the end be lower than currently planned, but said that that would depend on "world events" between now and then.

Mr Speakes said the budget-cutting process would continue in fiscal 1987 and 1988, and that the plan would be looked at again each year. He emphasised, however, that yesterday's decision reflected what Mr Reagan regarded as the "proper" level for defence spending

Star wars study, Page 4

Beecham to pay £125m for BAT cosmetics unit

BY CHARLES BATCHELOR IN LONDON

BEECHAM, the British-based consumer products and pharmaceuticals group, is to buy BAT Industries' cosmetics business for £125m ($150m) in a deal that will double Beecham's turnover from perfumes and fragrances and take it into the top six among world cosmetics groups.

The purchase of British-American Cosmetics (BAC) adds the names of Yardley, Lentheric, Morny, Juvena and Germaine Monteil to Beecham's existing range, which includes the Lancaster, Margaret Astor and Jovan brands.

It gives Beecham an important presence in the UK cosmetics and fragrances market for the first time and fills in gaps in its ranges in continental Europe and in the U.S.

BAC has annual sales of more than £200m, net assets of £72m at December 31 1983, and employs more than 5,000 people. It achieved pre-tax profits of £17.1m on its non-U.S. business in 1983 on turnover of £187m.

Germaine Monteil, its U.S. operation, made a pre-tax loss of $10m last year – its third year of losses – on turnover of $55m. It has been cutting overheads and expects to break even in 1985.

BAT is engaged in a significant redirection of its energies with the announcement over the weekend of a £664m agreed bid for Hambro Life Assurance and the sale last month of its International Stores food retailing business to Dee Corporation for £180m. Beecham will pay £21m in cash for the Germaine Monteil and £104m in shares for the non-U.S. business. It yesterday placed 29.1m shares at 358p – a discount of 17p on Beecham's opening price of 375p.

That deal takes Beecham into the top rank of international cosmetics groups alongside Avon, Estée Lauder, Revlon and Max Factor of the U.S., L'Oréal of France and Shiseido of Japan.

Cosmetics and fragrances will account for nearly a quarter of Beecham's consumer products turnover, which amounted to £1.4bn in the year to March 1984. Total group turnover, including pharmaceutical, was £1.94bn, which produced pretax profit of £268m.

The purchase still leaves Beecham with the resources to finance an acquisition on the pharmaceuti-

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Danish central bank launches Kronebanken rescue operation

BY HILARY BARNES IN COPENHAGEN

DENMARK'S central bank and its three biggest commercial banks yesterday announced a rescue operation for Kronebanken, the country's seventh biggest commercial bank, after bank inspectors found that realised and unrealised losses had caused the bank's equity capital ratio to fall below the minimum legal requirement.

The rescue is the first for a leading bank since the 1920s, despite a minimum legal ratio – capital and reserves to liabilities – of 8 per cent, one of the highest in the world. The central bank has promised to meet the bank's liquidity requirements and the three big banks' Copenhagen Handelsbank, Danske Bank and Privatbanken, are providing a DKr 500m ($45.12m) guarantee against eventual losses.

Depositors will not face any losses, and the banking inspectorate will allow the bank to continue operations. Mr Ole Retoft, chairman of Kronebanken's supervisory board, said the bank's losses covered a broad spectrum of engagements but provided no details.

Kronebanken, formed from a merger last year of two regional banks, Sjaellandske Bank and Frederiksborg Bank, had a balance sheet total at the end of last year of DKr 11.7bn. Trading in the company's shares was suspended yesterday.

The inspectorate has insisted on the dismissal of the bank's board of management. Mr Retoft said the supervisory board would place itself at the disposition of the shareholders at an extraordinary general meeting next month.

He said the board would now seek a reconstruction of the bank, which might take the form of a merger, or require shareholders to provide a capital injection.

Neither the inspectorate nor the bank itself would disclose how far below the minimum requirement the bank's capital had fallen, but Mr Bjørn Jensen, head of the inspectorate, said that so much was lost or at risk of being lost that the inspectorate could not simply ignore the situation.

"Fortunately, this kind of situation arises extremely rarely in Denmark, especially when major banks are concerned," said the chairman of the banker's association, Mr Tage Andersen, Chief General Manager of Danske Bank.

"We take it extremely seriously, as it reflects on the credibility of the banking system. I am happy to say that we were able to act so speedily, and experience shows that in these cases things are righted quite quickly and I am sure they will be in this case, too."

The bank's total equity capital is about DKr 1.2bn, of which DKr 300m is in subordinated loan capital.

The bank made a net profit of DKr 256m in 1983, an exceptionally good year for the Danish banks, when their profits were boosted by the increase in value on the bond and share portfolios.

Mr Retoft said that in 1984 the bank would sustain a loss from the falling value of its bond and share portfolio but there will be an "excellent" result from normal banking operations.

CONTENTS

EUROPEAN NEWS

EEC ACTS TO CUT RED TAPE ON CROSS BORDER TRADE

Accord on customs document

BY QUENTIN PEEL IN BRUSSELS

THE SINGLE administrative document—known universally as SAD—was born in Brussels yesterday, when it was finally agreed to scrap the 70-odd customs documents currently in existence throughout the European Community, and replace them with one.

After almost four years of deliberation by officials and government ministers, trade ministers of the Ten agreed on a piece of paper which will serve for all the import, export and transit requirements of intra-Community trade. It still contains 48 separate boxes for information to be given to the customs, but that is a far cry from the 140 items originally demanded by member states.

Its creation was heralded by an official of the European Commission as the conquest of "the last national fortress in the customs domain"—and by ministers less given to hyperbole as "a very significant achievement for Europe."

But the first day of use for the SAD will only come on January 1, 1988, to give all the likely users, from exporters to freight agents and customs officials, time to get used to its intricacies.

The SAD represents a big step towards the ultimate integration of a computerised EEC customs service, but one reason for its drawn-out birth process is the need to reprogramme those computer systems already in use, for example in Britain, France and West Germany.

It will still be completed in seven copies, although they will be conveniently carbonised and labelled for ultimate destination.

As for the 48 boxes, they will not all be needed in every state: some refer to exchange control information which is only required by Italy, Greece and France, for example, and others to the region of origin, only called for in West Germany.

Work to begin on drafting accession treaty

BY OUR BRUSSELS STAFF

EEC FOREIGN ministers yesterday gave the go-ahead for work to begin on drafting the treaty of accession for Spain and Portugal to join the Community, although substantive negotiations on key problem areas has barely begun.

The move is intended to ensure that the deadline for Spanish and Portuguese membership will not slip beyond January 1, 1986, in spite of the slow pace of the talks.

The enlargement process also has to clear the hurdle of an overall Greek reservation, linked to the creation of generous spending programmes in the Mediterranean regions of the Community.

The order for drafting to begin came as Sr Fernando Moran, Spain's Foreign Minister, repeated his criticism of the Ten for spending months in agreeing their own common taking into account the attitudes of the applicant states.

However, substantive talks were under way yesterday on the questions of incorporating the Spanish steel industry into the Community, and resolving the problems of Spain's high industrial tariffs.

The EEC foreign ministers have also finalised their positions on wine and fisheries along the lines of the deal hammered out by their heads of government in Dublin two weeks ago. Greece confirms that it will not sand in the way of detailed negotiations on the issues, while maintaining its overall reserve on the enlargement process.

The questions of wine and fish will only be negotiated in January, officials said yesterday, although they still express some hope that the whole process can be completed by the March summit meeting, with formal enlargement on January 1, 1986.

Sr Moran criticised the community negotiating process, accusin gthe Ten of working out their own position "in total ignorance of the attitude of hte candidate countries." This kind of procedure, he said, "cannot continue."

As for the question of the Integrated Mediterranean Programmes (IMP), the gap between Greece and the Nine remains ver wide, with Mr Malcolm Rifkind, the British Minister of State at the Foreign Office, describing the current Commission proposal to spend Ecu 6.6bn (£3.96bn) over six years as wildly unrealistic.

The Commission has been asked to submit further reports on just how much money would be required to fund programmes in Greece alone.

Sterling limit dropped

BY PHILIP STEPHENS IN LONDON

THE UK Treasury has decided to drop its long-standing request to foreign central banks that they limit their holdings of sterling to "working levels."

The decision, announced by Mr Ian Stewart, the Economic Secretary, came on a day when sterling was under further pressure on foreign exchange markets, but the juxtaposition was seen as entirely coincidental.

The then British Government asked overseas monetary institutions to curb their sterling reserves under the Basle agreement of 1977.

After the sterling crisis of the previous year, large overseas holdings of the currency were seen as a potential source of instability. That applied particularly to reserves held by oil-producing countries, which tended to be more active in currency speculation.

The abolition of exchange controls in 1979 and the present Government's free market approach to the exchange rate, however, had made the agreement an anachronism, officials said.

Mr Stewart emphasised that it did not imply a desire to influence the level of overseas reserves.

In any event, overseas official sterling reserves represent only about one sixth of the total amount held abroad.

Latest figures show that sterling represented about 2.5 per cent of total identifiable world currency reserves. That compares with only 2 per cent in 1976 but over 10 per cent at the beginning of the 1970s.

The dollar accounts for about 69 per cent, the D-Mark for 12 per cent and the yen for 4 per cent.

Retirement pay-off

BY IVO DAWNAY IN BRUSSELS

THE UNRIVALLED generosity of the EEC to its retiring employees raised eyebrows even in Brussels yesterday when Mr Richard Burke, the Irish Commissioner, was made a vice president of the European Commission.

The title, though almost entirely a symbolic honour, will entitle Mr Burke to an additional £9,000 ($10,800) on his severance pay in the next three years. To earn this extra sum Mr Burke will be required to accept the titular honour between now and his official retirement on December 31.

Commissioners are now allowed under EEC rules half of their £58,000 a year salaries for three years after leaving office. Vice presidents are paid £64,000.

Mr Burke's good fortune follows that of M Edgard Pisani, the French Development Commissioner, who inherited a vice presidential mantle from his compatriot M Francois-Xavier Ortoli on the latter's acceptance of a post at Total, the oil company, this autumn.

When M Pisani, after less than a week in office, himself resigned to take on the role of mediator in the troubled French colony of New Caledonia, Mr Burke's chance at a fortnight as a vice president emerged.

This short-lived promotion also means Mr Burke's pension on his retirement at 65 will increase from £21,000 a year to £23,300. Interviewed on BBC radio last night the Irish Commissioner justified his lucrative promotion as an honour directed not at him but to his country.

Uncensored TV draws big audience in Hungary

By Leslie Colitt in Berlin

HUNGARIAN TELEVISION has broken a taboo in Warsaw Pact countries by allowing viewers to submit uncensored questions in a programme on foreign affairs. Millions of Hungarians watched the first programme and telephone lines to the studio were jammed with calls.

One viewer asked a Hungarian correspondent stationed in Moscow about Soviet reaction to the return of Josef Stalin's daughter, Svetlana, to Moscow. He was told that, officially, there is approval of her return: "in private conversation, it is said: 'Poor thing, she is a little muddled in the head'."

A member of the studio audience asked about the East Germans who had taken refuge in West German embassies in Eastern Europe. The subject of would-be fugitives is normally prohibited in the East European media.

He was told by a Hungarian reporter that tens of thousands of people had been able to leave East Germany legally. Some East Germans, however, believed "rightly or wrongly" that they would not be able to leave the country.

The Hungarian correspondent in Moscow was also asked how the Soviet Union might react to a U.S. landing in Nicaragua. He replied that up to 25,000 U.S. soldiers could be expected to lose their lives, but that he could not state that such an "escapade would completely torpedo relations between Moscow and Washington."

He noted that while Hanoi was being bombed and Haiphong mined, during the Vietnam war, "very serious Soviet - American disarmament talks took place and were successful."

Another Hungarian journalist, fielding a question about the miners' strike in Britain, said that no industrialised country could "avoid the need for structural changes."

In this respect, he said, "capitalist and socialist countries are struggling with remarkably similar problems."

Opec expected to avoid drastic revision of prices

BY RICHARD JONES IN GENEVA

THE OPEC committee on price differentials is expected to recommend to the full ministerial conference starting today that rates for heavier crudes be raised by about 50 cents a barrel and lowered by 25 cents for very light varieties.

Proposals were to be finalised at a meeting here last night under the chairmanship of Sheikh Ahmed Zaki Yamani, Saudi Arabia's Oil Minister.

While nothing has been said officially, it is clear that Sheikh Yamani and his colleagues are not contemplating the kind of drastic revision reckoned by the industry and independent experts to be necessary if real progress is to be made towards stabilising the market.

Saudi Arabia continues to rule out any reduction in the $29 for the Arabian Light reference to close the gap with relatively overvalued heavy crudes and to bring it into line with market rates, not the least because any such move might lead to further erosion of the market.

Opec's full conference begins with delegates despondent and perplexed about prospects for maintaining the fragmented price structure and preventing the possibility of a serious collapse in the spring.

There is despair over member-state Nigeria which has done nothing to rescind the $1-$2 per barrel price cuts made in October and is believed to be producing more than 1.6m b/d, compared with the quota conceded to it by other members of 1.45m b/d.

Following the decision of the last conference here in October to lower the ceiling on collective Opec output from 17.5m b/d to 16m b/d, Sheikh Yamani and other Opec leaders forecasted that the gap between official selling prices and spot rates would have closed by the end of the year and that Nigeria would come into line.

As it is, Arabian Light is at about $27.50, the rate to which most experts think it should be reduced to give the right relationship with Arabian Heavy, currently at $26 on the spot market, and more or less in harmony with its official rate.

Predictably, Opec's market monitoring committee at its meeting here yesterday recommended no change in the 16m b/d until the market recovers.

Opec experts are understood to believe that production has been rather more than 16.5m b/d since the beginning of November.

Poland welcomes easing of U.S. stand on IMF

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND YESTERDAY greeted the U.S. decision to stop blocking its entry into the International Monetary Fund as a step in the right direction.

Mr Jerzy Urban, the government spokesman, said yesterday that the decision was another sign of a "more realistic approach" by Washington, and called on the U.S. to lift "the remaining restrictions and stop intervening in Poland's internal affairs."

Washington is maintaining its ban on government credits and credit guarantees, as well as its withdrawal of "most favoured nation" treatment for Polish goods.

Mr Urban reiterated that Poland was interested in re-establishing normal relations and that the Government "awaited further moves by America" to this end.

● Mr Andrzej Gwiazda, who has been jailed for taking part in demonstration in Gdansk on Sunday, is the third recently amnestied Solidarity leader to have been given a three-month prison sentence since the autumn. It seems that the authorities have chosen this method of trying to keep the Solidarity leaders in line.

U.S. must make next move, says Gorbachev

By David Buchan and Margaret Van Hattem

THE U.S. must make the next move by limiting its space weapon programmes early next year if there are to be "effective" East-West arms control negotiations, Mr Mikhail Gorbachev and other members of the visiting Soviet delegation told British MPs yesterday.

Given a rare opportunity to question senior Soviet leaders, MPs were left in no doubt that the planned U.S. development of space weaponry was the Kremlin's uppermost concern.

They were also treated to the first flash of irritation shown by Mr Gorbachev on his British visit when he stoutly rebuffed complaints about the Soviet human rights record and went on to question that of Britain.

In a 20-minute prepared address to the House of Commons foreign affairs committee, Mr Gorbachev said the Soviet Union was ready to contemplate "the most radical reduction" and eventual scrapping of nuclear and chemical weapons.

This could create an atmosphere "which would enable each country to concentrate its attention and resources on settling its own problems. Show me a country which has no such problems," he said.

But "it is now up to the U.S. to make a move . . . for effective neogtaitions," he stressed.

General N. F. Chervov, a senior member of the Soviet general staff, commenting on the Reagan Administration's more far-reaching plan to develop a full defence against any incoming Soviet missiles, warned that Moscow was able to match any U.S. programme.

Mr Gorbachev, reputed to be ranked second to Chernenko in the Soviet politburo, gave a spirited performance, as he did last year when he appeared before a Canadian parliamentary committee.

But he reacted with evident irritation when questioned by Mr Norman St John Stevas, a Conservative MP, about state treatment of churches in the Soviet Union.

Mr Gorbachev said he felt the West had been misled by Press campaigns about a few Soviet individuals to suppose that there were no Soviet laws governing human rights.

He then went on: "I can quote a few facts about human rights in the UK for example, you persecute entire communities, nationalities. You have 2.3m unemployed. You govern your society and you leave us to govern ours."

MPs took the reference to persecution to be either to Northern Ireland or to the current miners' strike. However, Mr Gorbachev ended the exchange with a suggestion that while the two sides could debate the whole issue, it might be more useful if they moved on to foreign policy matters.

World of difference between Le Monde journalists

David Housego describes the struggle at Paris's top newspaper

NOBODY believes that Le Monde, Paris's premier newspaper, with sales of 360,000 a day, is about to collapse. But in its cavernous and gloomy headquarters in the Rue des Italiens, itself likely to be up for sale, there is a feeling that the turning point has been reached.

Today the editorial staff, who own a 40 per cent stake in the paper, are to choose a Director and Editor-in-Chief to replace M Andre Laurens, who resigned a fortnight ago. His proposals for putting the paper financially back on its feet were turned down overwhelmingly by his colleagues.

M Michel Tatu, a specialist on East-West relations, is the only candidate after M Andre Fontaine, a distinguished writer on foreign affairs, dropped out of the running last night. M Tatu still requires, however, 60 per cent of editorial votes to win.

The threat of bankruptcy now hanging over the paper has jolted the staff into realising the urgency of radical action. "We are prepared for any solution that is credible" says one journalist. The trouble is that the staff are not agreed on what is credible.

Le Monde's problems run far deeper than the sad tale of falling circulation and declining advertising revenue that besets the rest of the Paris Press. They stem from a clash of personalities and political views among the staff which has erupted into the open because of the way the paper is run.

Le Monde is unique major Western dailies in having a management structure that gives journalists a substantial say over hte choice of editor as well as a veto over major decisions. Like many institutions in France it has worked well during periods of expansion, but faltered in recession.

It became unworkable after M. Jacques Fauvet, only the second editor in the paper's history declied some five years ago to name his successor on the grounds that he no longer represented a consensus.

Since then journalists have been divided on most major issues, unable to agree on whom they wanted to be editor or on what type of paper Le Monde should be. They voted for M Claude Julien, the Left's candidate fo rthe succession to M. Fauvet, and then turned him out before he took office. M. Fontaine, the favourite this week, has been rejected in the past.

The journalists are split on whether to maintain Le Monde as a serious journal of political and economic affairs or to branch out like the successful French daily Liberation into magazine-style coverage of contemporary, human and communications issues.

Plans were produced for a colour supplement to boost advertising revenue, but this was judged out of character by one section on the paper. A rival project for a New Yorker-style literary magazine was judged elitist by another faction. Neither one saw the light of day.

As a result of these conflicts members of staff are pitted against eich other. One journalist says: "Everyone has scores to pay off against everyone else." Another adds: "Self-management has proved fatal."

While former President Valery Giscard d'Estaing was in power, Le Monde kept up a powerful critical barrage against him. But, largely because of its internal divisions, it has been unable to define a clear editorial view of President Francois Mitterrand's administration. Younger readers have drifted away, bored by its lengthy accounts of the minutiae of the French political scene.

Other papers are beginning to challenge it in fields where its coverage is no longer adequate—La Tribune de L'Economie, a new international economic daily, has hired M Jean-Michel Quatrepoint, formerly Le Monde's electronics correspondent, as its editor and director.

The latest crisis has been brought on by the rejection of M Laurens' plans for eliminating the paper's losses. Sales have dropped by 70,000 to 360,000 in recent years precipitating cumulative losses of about FFr 80m (£7m). Le Monde has a nominal capital of FFr 500,000 and bankers have become hesitant about extending new loans until costs are cut.

M Laurens proposed to sell the paper's building, cut salaries, "mothball" one of its printing presses in Paris and move to facsimile transmission for the provincial editions. It was the dispute over the sale of the building—seen by some as an unsatisfactory stop-gap measure—that prompted M Laurens to invite a vote of confidence. Behind the overwhelming poll against him lay a rejection of his closest editorial and management associates as well.

Within the paper there is now a growing consensus that the next editor must have a freer hand to break the deadlock in decision making—M Fontaine has asked for a four year mandate to reinforce his authority. But there is a reluctance to cede power to an internal nominee who inevitably carries with him identification tags picked up in past disputes.

"Le Monde is sick from the inside," says M Quatrepoint, who is now able to speak more openly. "Reforms from the outside will be very difficult." Hence the attraction of calling in an outsider with a fresh eve, untarnished by the scars of past conflicts.

One possible candidate from outside is M Jean Boissonat, France's best economic journalist and editor of the business magazine L'Expansion. An outside nominee would probably bring a fresh injection of capital with him.

The paper's current financial and technical problems are the price of past management errors. During its rapid expansion in the 1960s and 1970s Le Monde took on many staff and distributed profits in higher salaries. It has 180 editorial staff and 1,000 printworkers and administrative employees who could face redundancy.

The decision to continue publishing in the evening and to invest in a large printing operation in Paris has also caused problems. As an evening paper, Le Monde does not benefit from the distribution system in the provinces available to morning dailies.

If today's vote proves indecisive, M Laurens has said that on certain terms he is willing to stay on. But the return of M Laurens, a compromise candidate 2½ years ago, is not likely to be a durable solution to the paper's problems.

In the meantime, Le Monde's continuing strengths—the breadth of its foreign coverage, much of its industrial and economic reporting and its ability still to surprise afternoon readers with scoops missed by other papers—are being lost in the miasma of dispute.

Pulp and paper booms in Sweden

By Kevin Done, Nordic Correspondent, in Stockholm

THE SWEDISH forest products industry, one of the world's leading exporters of pulp and paper, has achieved its best performance for 10 years, increasing exports by 18 per cent to SKr 47bn (£4.47bn). Swedish pulp mills have operated at 95 per cent of capacity this year. The sector's pre-tax profits have jumped by 72.5 per cent to an estimated SKr 8.8bn from SKr 5.1bn in 1983.

Scandinavian forest products groups were helped strongly by the seven-week strike by workers in the pulp and paper mills in British Columbia, Canada, during the spring, as well as by the continuing strength of the U.S. dollar.

Pulp production rose by 6 per cent to 9.2m tonnes, of which 30m tonnes were so-called market pulp which is sold on world markets rather than being used directly for paper and board manufacture.

Swedish paper mills operated at 92 per cent of capacity, with output rising by 7 per cent to 6.8m tonnes. Exports of paper increasedby 10 per cent to 5.2m tonnes, fully 70 per cent of foreign sales going to the European Community.

The strong performance of the forest products sector, Sweden's most important net exporter, has been an important factor pushing Swedish industrial production to a new peak this year.

Industrial production in October was 8.1 per cent higher than a year earlier, the Central Statistics Office reported yesterday. Output for the whole of 1984 is expected to reach its highest ever level, about 5 per cent above 1974 the previous record year.

Mr Bo Wergens, director of the pulp and paper industry federation, said yesterday that both pulp and paper production could increase marginally next year o around 7m tonnes for paper and 9.4m tonnes for pulp, but profitability is expected to weaken slightly.

With new capacity coming on stream during 1985, productivity could decline, and the industry is becoming concerned that Swedish labour costs are still rising faster than in competing countries. The recent decline in pulp prices, however, has largely been compensated by the rise in lite value of the dollar.

Fresh setback for Italian steel plans

By James Buxton in Rome

THE PROGRAMME for restructuring the Italian steel industry, which is already threatened by the EEC Council of Ministers' decision to suspend operating subsidies from January 1, has suffered a further blow.

Private sector steel producers who had agreed in principle to take over part of the Cornigliano steel complex at Genoa—due for closure by the state steel company, Finsider—are threatening to pull out of the project.

Four private sector steel companies—Lucchini, Riva, Sassone and Leali—were expected to operate part of the plant to make steel billets for processing in private sector plants. The project would save 1,500 of the 5,500 jobs at the complex, all of which will be lost if the plant closed completely.

The EEC Commission was favourable to the project, provided it led to the closure of equivalent steel-making capacity in the private sector.

But the four private companies have informed IRI, Finsider's parent company, that the price of L350bn (£154m) which Finsider is asking for handing over part of the plant and making improvements is too high to allow economic production of billets.

It is not clear whether the companies' decision is irrevocable or is an attempt to win better terms. But even if their decision turns out to be final, Finsider might still go ahead with the project on its own, and sell the output to the private concerns.

The decision by the EEC ministers to block further operating aid for the steel industry comes only about halfway through the disbursement of more than L10,000bn for the restructuring of Finsider's operations, which involves significant cuts in capacity and jobs.

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■ Charterhouse Japhet	9½%	Standard Chartered	9½%
Choulartons	11 %	Trade Dev. Bank	9½%
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Citibank Savings	¶10½%	Trustee Savings Bank	9½%
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C. E. Coates & Co. Ltd.	10½%	United Mizrahi Bank	9½%
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§ Demand deposits 6%.
¶ Mortgage base rate.

Unions avert clashes over Austrian dam

VIENNA – Fresh clashes between workers on a controversial dam and environmentalists trying to preserve one of Europe's oldest forests were averted yesterday.

After an emergency meeting with Chancellor Mr Fred Sinowatz Austrian unions halted plants to mass 30,000 workers at the site at Hainburg, east of Vienna, this morning to confront thousands of demonstrators preventing tree clearance work.

The environmentalists are trying to save a 50 square km forest, the "Auwald," famed for its rare birds, reptiles and orchids.

Several hundred protesters are camping in the icy forest swamps. There have been minor scuffles with police, who had 1,000 men ready for disturbances.

The Austrian Trade Union Federation (OGB) has warned that trade union patience with the illegal occupation of the site may be running out, but it called off today's confrontation after its president, Mr Anton Benya, met the Chancellor.

Protestors had said Mr Sinowatz would be to blame for any violence erupting between rival worker and environment groups. Reuter

U.S. offer to EEC on steel pipes row

THE U.S. yesterday proposed a settlement of a row over its curbs on imports of European Community steel pipes and tubes in a bid to head off trade reprisals, Reuter reports from Brussels.

EEC sources said Mr William Brock, U.S. Trade Representative, offered the Community a 7.6 per cent share of the U.S. market for steel pipes and tubes.

These imports have been banned totally for a month, and the U.S. had planned to restrict the EEC to a 5.9 per cent market share in 1985, against 14.6 per cent this year.

Under the offer, made to the European Commission yesterday, the only exemptions would be for orders of pipes and tubes which the U.S. steel industry was unable to supply.

Herr Wilhelm Haferkamp, European Commissioner for External Relations, and Viscount Etienne Davignon, the Industry Commissioner, were due to brief Community foreign ministers last night on the offer, which was said to be close to terms previously offered by the Community, but rejected by Washington.

The previous offer was of a 7.6 per cent market share, but with a longer list of exemptions.

The latest U.S. offer was the subject of urgent discussions yesterday between the Bonn Government and West German steel companies likely to be most affected by the extra restrictions.

The Community originally requested exemptions for current construction contracts and oil and gas pipeline supplies, two big areas of West German sales.

The U.S. is said to have made clear that this was its final offer.

Viscount Davignon is thought to be keen to reach an agreement before his term of office expires on January 6, and consultations were continuing with Washington and Bonn.

Any agreement would require formal approval by EEC ministers, who are due to meet today for the last time this year.

In Geneva, Mr Peter Murphy, U.S. Trade Ambassador, said the U.S. received a written request from the Community for immediate consultations on the American steel curbs.

Bulgaria replies to whisky fraud claim

By Leslie Colitt in Berlin

BULGARIA has responded to claims by Britain that it is marketing counterfeit Scotch whisky by saying simply that it is offering "the first original Bulgarian whisky."

The reply has appeared in the form of an advertisement in a Bulgarian publication, which shows a photograph displaying a popular Scotch whisky bottle bearing the label: "White Horse now has a southern sister – Wild Goat."

The Wild Goat brand is shown in a bottle bearing the familiar shape of a Johnnie Walker whisky container. Johnnie Walker and White Horse are both produced by the Distillers Company, Scotland's biggest distiller.

A claim that the Bulgarians were making counterfeit Johnnie Walker Red Label Whisky was made earlier this week by the Confederation of British Industry following seizure in Italy of 2,400 cases of the Bulgarian product, allegedly destined for African ports.

The CBI called for any industries affected by the appearance of the Bulgarian spirits to participate in evolving a joint strategy.

OVERSEAS NEWS

Peking rolls out red carpet for Thatcher's visit

BY MARK BAKER IN PEKING

THE CHINESE Communist Party does not believe in Christmas, but is welcoming the British Prime Minister Mrs Thatcher in the style of a Santa Claus who has turned up a week early.

Mrs Thatcher flew in from London tonight bearing a gift for a party that would like to have everything.

At 5.30pm tomorrow she will take a seat in the Great Hall of the People and sign away Britain's right to continue ruling Hong Kong beyond 1997. After a 13-year transition the Union Jack will be lowered on the last truly valuable corner of the British Empire.

Under this crisp piece of colonial undertaking – agreed within two years of Mrs Thatcher's last trip to Peking in September 1982 – China has promised to preserve the colony's character and freedom for 50 years as a special administrative region.

The Prime Minister's stewardship of this dramatic deal is winning her a heroine's reception in Peking.

During her 36-hour stop in Peking she will meet the four most powerful men in China, including paramount leader Deng Xiaoping, she will be received with a 19-gun salute in Tienanmen Square and be feted at a special banquet in the Great Hall.

The Chinese press is carrying lavish praise of Mrs Thatcher as a "far-sighted" and "great" statesman. Her picture and a biographical profile are carried prominently on the front page of the "People's Daily" and in other leading newspapers.

Mrs Thatcher and the Foreign Secretary, Sir Geoffrey Howe, were met on their arrival by Wu Xueqian, the Chinese Foreign Minister.

She was driven directly to the Diaoyutai (Emperor's Angling Terrace) state guest house in the western suburbs of Peking for a private dinner and briefing session with Sir Richard Evans, the ambassador and Britain's chief negotiator in the Hong Kong talks.

Mrs Thatcher will be welcomed officially with a military parade and salute in Tienanmen Square and will spend the morning in talks with the Chinese Premier Zhao Ziyang.

After lunch with President Li Xiannian she will have separate meetings with Deng – who has already christened her 'Britain's de Gaulle' for handing over Hong Kong – and with Hu Yaobang, the Communist Party General Secretary.

Mrs Thatcher and Zhao are scheduled to sign the Hong Kong agreement in a ceremony to be witnessed by 101 dignitaries invited from Hong Kong by the Chinese Government, and an even bigger contingent of journalists.

The Prime Minister will be Zhao's guest at an evening banquet for more than 400 and later meet the British press. She will leave for Hong Kong early the next morning.

Investment cut by 65% in Ivory Coast budget

BY PETER BLACKBURN IN ABIDJAN

PUBLIC INVESTMENT is to be slashed by nearly 65 per cent in Ivory Coast's 1985 budget which is due to be approved by the National Assembly (Parliament) later this week.

No new development projects have been included in the investment budget which has been cut to $187m (£156m) from $575m in 1984.

Mr Abdoulaye Kone, Economy and Finance iMinister, presenting the budget to the Assembly yesterday warned that austerity will be even more sever in 1985 because the economic recession has led to a sharp drop in fiscal receipts?

Rural development, especially food production, continues to be the main priority with 35 per cent of the investment budget. oHusing and urban development, transport and water supplies are other priority sectors.

Some 42 per cent of investments will be locally financed compared with 19 per cent in 1984. External borrowing will be entirely on concessional terms with the World Bank and France's Caisse Centrale De Co-operation Economique the main donors.

Finance officials describe the 1985 investment budget as realistic because it only includes projects for which finance has already been secured. Previous budgets have not been implemented due to lack of funds, they pointed out.

The recurrent budget has been cut for the second successive year by 2.5 per cent to $889m. Salaries of civil servants are being frozen for the third successive year, and in addition salaries of an estimated 50,000 public enterprise employees are being aligned with those of the civil service resulting in cuts of up to 50 per cent.

The 1985 budget is in line with IMF recommendations accompanying an SDR 82.75m one year standby credit approved last May.

Nakasone faces fresh battle over defence

By Jurek Martin in Tokyo

IN ONE of the stranger twists of contemporary politics, the Japanese Socialist Party, the leading opposition group, decided yesterday not to oppose a pay increase for the Japanese military whose very existence it technically considers unconstitutional.

The socialist move to align itself roughly with the two biggest centre parties is in fact part of what is promising to be a substantial tactical battle with the Government of Mr Yasuhiro Nakasone over the perennial question of defence spending.

The Government is currently putting the finishing touches to its 1985 fiscal budget, which takes effect from next April. It is struggling on the one hand with U.S. pressure for greater defence outlays an don the other with abiding by the ten year old declaration that defence spending shall not exceed 1 per cent of gross national product.

Under Japanese measurements, which differ from those of Nato, it presently stands at 0.997 per cent of GNP. Unless the economy grows at far faster than the 4 per cent plus rate tentatively forecast for fiscal 1985, almost any peneral military pay increase alone would break the ceiling.

Recently, the National Personnel Agency, which makes civil servie pay recommendations, called for a 6.4 per cent raise for the military; the Government said this should be cut bak to 3.4 per ent; the opposition parties are now backing the higher figure on the condition that the 1 per cent ceiling not be breached.

If they sustain their case, then confusion would reign in the defence budget—and the U.S. would be furious. But, given the combative, tactical nature of Japanese politics, it seems more likely that their principal purpose is to push Mr Nakasone into a poitically unpopular corner.

For all his hawkish reputation and his need to pease the U.S., the Prime Minister has been uncharacteristically reticent of late on the level of defence spending. This may reflect the weakening of his personal authority as a result of the bargaining two months ago which led to him winning a second term in office.

Bur Mr Nakasone has found himself contradicted by elements of his own ruling party, as well as by the new head of the Self Defence Agency, Mr Kioichi Kato, who have said the circle cannot be swuared. As it is, most experts believe that in an otherwise tight defence budget will receive a real spending increase of about 6 per cent, and that the Government would have to cook the books to avoid breaking the ceiling.

Mohammed Aftab reports on Pakistan's vote on extending the President's term

Zia confident of referendum victory

PRESIDENT Zia-ul-Haq of Pakistan, buoyed by large rallies supporting him in the Punjab, is expecting a large voter turnout in the referendum he has called for tomorrow. If the voters decide in his favour, it will extend his term for a further five years and endorse his Islamisation policy.

The announcement of the referendum on December 1 took most people in Pakistan by surprise. General Zia has already introduced Islamic-style changes to the economy, the banking system, the judiciary, and in politics and parliamentary institutions, moving the country away from its traditional Western-style parliamentary democracy. He says such a system is "unsuited" to Pakistani traditions and Islamic values.

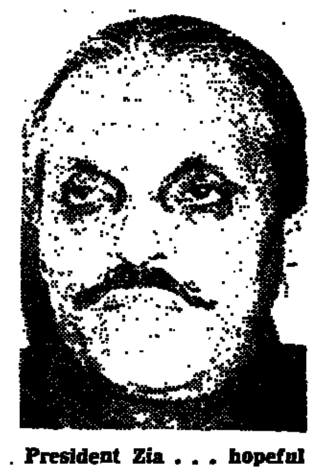
An estimated 33.8m people will be eligible to cast their votes tomorrow. They will answer yes or no to a loose question—whether they support President Zia's policies of Islamisation. A yes vote will be taken to be an endorsement of a further term for the President.

Despite this, President Zia denies that the referendum is a presidential election—"otherwise I would have allowed people to contest it against me," he says.

Campaigning against the referendum has been banned. "No-one is allowed to campaign against the referendum because that will pollute the environment and hinder a smooth transfer of power to elected representatives of the people," he says.

Pakistan has no opinion polls and there have been no recent elections to gauge the public's likely views on the referendum. The last parliamentary election, held by the then Prime Minister Mr Zulfikar Ali Bhutto, later executed by the Zia regime in March 1977 was rejected by the people as having been rigged.

It resulted in a widespread agitation against Mr Bhutto, which led to the military takeover by Gen Zia, the imposition of martial law, and the dismantling of the Senate, the National Assembly, and four legislatures in the provinces of Punjab, Sind, Baluchistan and the North West Frontier.



President Zia . . . hopeful

All political parties and activity were banned more than five years ago, and there is no hope that the ban will be lifted. Gen Zia has voiced his total opposition to giving political parties or politicians any role in elections for an Islamic "shoora" (advisory council), although he has said the shoora will have reasonable powers.

With the Opposition effectively muzzled, Zia supporters hope that the voter turnout for the referendum will be "at least 50 per cent" of registered voters. Unofficial results are expected quickly.

Gen Zia and his supporters are confident of a majority of yes votes although they do not rule out a small percentage voting no. Those who disapprove of the referendum—which is not provided for in the Pakistani constitution as a way to elect a President—are likely to stay away.

Asked what he will do if a majority votes no, President Zia has said: "We are honourable people, and if the vote is no I will move as far as I can by holding (parliamentary) elections, hand over power to elected representative, and get out."

Campaign rallies have shown a considerable degree of support for Gen Zia's Islamisation policies, and his management of the economy. Growth has averaged 6 per cent a year during the seven years of his military government. Five successful harvests have made the country a net exporter of wheat.

The private sector though still cautious following the previous regime's nationalisation and socialisation policies, as well as the continued strict bureaucratic regulation of the economy, has begun to invest in new industrial units ranging from cement to tyre manufacturing, glassware and steel products.

The turbulent situation in the region has also helped General Zia. The Soviet military presence in neighbouring Afghanistan where an Islamic insurgency has been going on for five year's as well as the unsettled situation in India following the assassination of Mrs Indira Gandhi have boosted his image as a strong leader.

Despite his record of crushing his opponents and cracking down on all forms of dissent, it seems likely that President Zia will get the vote he wants tomorrow, and that elections in Pakistan will remain a far-off dream for a benighted opposition.

Daiwa to give stock exchange lesson for China

PEKING and Shanghai officials have accepted an offer by Japan's Daiwa Securities Company to hold seminars on the workings of stock exchanges, a *Daiwa spokesman told Reuter in Tokyo.* Officials from both municipalities are considering the setting-up of stock markets to attract foreign capital and domestic savings for economic midernisation, the spokesman said.

9 die in Sri Lanka

Nine policemen were killed yesterday when Tamil separatists blew up a police vehicle in Sri Lanka's Eastern Province, according to a government statement *reported by Reuter from Colombo.* The police had been chasing a van carrying a group of robbers, the statement said. More than 400 have been killed since guerrillas fighting for a separate Tamil state stepped up their campaign a month ago.

No to drug probe

Australia's Labour Government yesterday rejected a recommendation for a major probe into what an official inquiry said were big heroin smuggling syndicates. *Reuter writes from Canberra.* The Costigan Royal Commission called in its report last month for a special investigation, but Attorney-General Lionel Bowen said yesterday that the issue had been referred to the National Crime Authority.

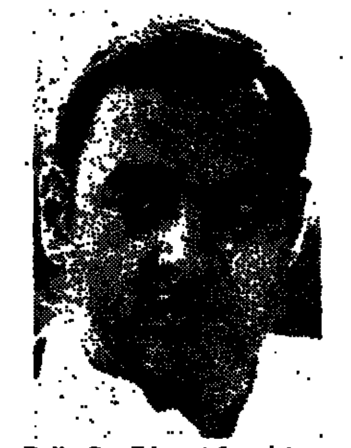
Gandhi 'set for sweeping win'

BY JOHN ELLIOTT IN NEW DELHI

A RESOUNDING victory in next week's Indian General Election has been forecast in a major opinion poll for Mr Rajiv Gandhi, who took over as Prime Minister seven weeks ago after the assassination of his mother Mrs Indira Gandhi.

A poll conducted for India Today, the country's leading current affairs magazine, shows him winning 366 of 511 seats being contested in the election for the Lok Sabha, the Indian Parliament lower house.

This would be an improvement on his Congress I Party's present parliamentary position and far exceeds the results being forecast by most observers.



Rajiv Gandhi—set for victory

Mr Gandhi has conducted a rather flat campaign, concentrating on the country's Sikh problems and on the risks of the country breaking up. He has inspired little passion so far and most observers expect him to win little more than 300 seats, and maybe less.

There is general agreement that he will gain an overall majority benefiting from the image of his late mother and from the country's desire for political continuity. The debate is over the size of his majority.

A result of 270 to 300 Congress I seats would enable him to form an administration and govern the country. But if he appeared to falter or his policies came unstuck, he could find himself vulnerable to forces within his party jealous of his rapid advancement.

A result of the type forecast by India Today after polling 11,300 people in 35 constituencies would enable him to dictate his own pace and style.

It would mean that he had won comfortably in northern India states such as Uttar Pradesh and Haryana and had recovered more than his mother could probably have achieved in southern states such as Andhra Pradesh and Karnataka.

The election commission announced last night that the election in Bhopal, where over 2,000 people, died in a gas leak on December 3, is being postponed till the end of next month. Polling in the rest of the country starts on December 24.

● Some of the 250,000 people who fled the central Indian cit yof Bhopal, fearing a fresh leak of poison gas, started returning to their homes yesterday but over 12,000 remained in camps set up by the Government, Reuter reports from Bhopal.

Insurance claims, Page 4

Plotters to face firing squad in Vietnam

By Chris Sherwell, South East Asia Correspondent

A VIETNAMESE court yesterday sentenced five out of 21 alleged plotters to death by firing squad for conspiring to overthrow the Government.

The guilty verdicts came at the end of a widely publicised trial in Ho Chi Minh City (formerly Saigon). Another three defendants were given life imprisonment, and the remaining 13 got jail sentences of eight to 20 years.

The accused, some of them ex-members of the former South Vietnamese army, were among more than 100 people arrested by the authorities in what is the largest known anti-government plot since the Communist takeover in 1975.

All 21 were charged with espionage and treason and accused of plotting to topple the government with the support of China, Thailand and the U.S.

The defendants were members of the so-called United Front of Patriotic Forces for the Liberation of Vietnam.

AMERICAN NEWS

Housing starts in U.S. fall 0.7%

BY Nancy Dunne in Washington

U.S. BUILDERS started 0.7 per per cent fewer housing units in November than in October, a drop which surprised economists who had based predictions of a rise on the good weather, lower *interest* rates and *increasing* sales.

The Commerce Department—releasing the figures yesterday, said the number of privately owned housing units started last month declined to a seasonally adjusted yearly rate of 1.6m, compared with 1.7m in November of last year. However, housing starts in the first 11 months of the year are still ahead of last year.

The department also revealed that personal income increased 0.7 per cent in November and spending jumped 0.9 per cent, after an October setback.

Income before taxes was up $20.7bn (£17.25bn) to a seasonally adjusted rate of $3.1 trillion (million million).

The big increase in spending included large amounts of interest payments consumers *made to stores as part of their* monthly bills, the department said.

Mr Michael Sumichrast, of the National Association of Home Builders said th housing starts were "very disappointing . . . given the fact that interest rates declined 2 percentage points" since mid-summer.

After the Bhopal tragedy, Terry **Dodsworth** looks at the way companies cover themselves against risks

Shadowy world of multinational disaster insurance

THE POISON gas tragedy at Bhopal in India has thrown a harsh spotlight on the shadowy world of insurance for multinational companies. How do they arrange coverage for their far-flung operations, and how adequate is it to cope with problems in enormously different operating environments? Union Carbide has itself been very careful not to give *any information that* might be useful to lawyers acting against it, but there are a fair number of indications about what sort of package it has.

The company is known to have arranged its policies through the biggest international broker, Marsh and McLennan, based in New York. Marsh, whose own shares have suffered as a result of the disaster (because of fears of subsequent litigation), has flourished in recent years as a broker capable of putting together comprehensive policies for multinationals like Union Carbide.

The idea of this sort of approach, says Mr Peter Reid, senior vice president at Alexander and Alexander International, another the big brokerage companies, is to save administrative costs, act as a conduit on local conditions and regulations, and to maximise the financial efficiency of arranging the cover.

The latter point is a particularly important one for an international group with highly variable profits, tax liabilities and cash flow in different parts of the world. It may well be, for example, that a group prefers to pay for its policies in a particular currency or a region where it is showing healthy profits; and it may have tax reasons for paying in certain countries or taking potential claims there.

Equally, a company may prefer to receive payment of its claims in a different area from the one where it incurs the loss—although its freedom to do this could be restricted by *local* laws. Multinational companies have been known to use their insurance policies as a financial hedge in countries where their assets and revenues are locked in by *Government restrictions* on the movement of funds. If claims are mobilised for any reason, they can be paid into an offshore location, thus effectively unfreezing a frozen asset.

Within these overall economic constraints, the brokers put together packages which respond to two main questions.

First, companies have to decide on exactly what sort of risks they want to insure. In *general, risk managers advise* on insuring against the worst risk, so that companies like Union Carbide, dealing with highly toxic substances, invariably carry much higher cover than most other businesses. Airlines are the classic case of companies that insure for very large catastrophes—up to $1bn in somecases.

Companies can also be very easily caught out b damages on items they had not thought about. Tampering with products by blackmailers, for example has recently emerged as a new issue; and for Union Carbide, some of the heaviest expenditure over Bhopal may well be in somewhat intangible areas—the cost of litigation, loss of earnings from temporary shut-down of facilities, write-offs from closures, los of image and market share and so on.

U.S. attorney Mr Melvin Belli announces a $15bn damages suit against Union Carbide

Second, companies have to decide how to structure the policies. Because the cover for large multinationals is so big, it generally has to be split between a large number of insurance companies, although one big insurance group might decide to take the whole liability and then lay off chunks of it to other companies. It is believed that about 60 insurance companies are involved at Union Carbide.

The coverage that emerges at the end of this process of spreading the liabilities around will, in effect, be built up in a series of layers. Insurance companies accept risk in parcels for which they oil become liable if the *claims climb up* to the appropriate amount. One insurer, for example, may choose to carry the first $10m of risk, for which the premiums will be much higher than for a company carrying a similar amount on which claims arise only if damages amount to between, say, $90m and $100m.

One of the snags for multinationals is that in some countries their choice of insurance regulations insisting that they place cover with domestic companies. This is the case in India, where the insurance industry was brought under state control in 1971, with the property and casualty companies grouped into four main enterprises.

It is not known how much of Union Carbide's Indian insurance was placed with these *local companies, but Mr V. H. P.* Pinto, manager of the General Insurance Corporation of India, the state-controlled holding company for the industry, said in the U.S. two years ago that *property insurance on Indian* real estate "should be placed in India only."

He also added, in an observation that pointed directly at the sort of risk that impinges on Union Carbide's business, that "the (insurance) industry is fully alive to the diverse and complex risks created by new technology. Insurance is available for multi million dollar petro-chemical complexes, jumbo aircraft, and tankers and bulk carriers."

In practice, there are a number of ways around these local regulations. Many developing countries do not have a *sufficiently large insurance market* to bear the amount of risk demanded by multinational projects, and therefore allow some exclusions to their restrictions on local placement. In other countries it may be possible to write a contract with a local company, but then arrange to reinsure most of the risks so that it effectively takes only a miniscule percentage on to its own books.

In addition, multinationals often have to arrange off-shore cover to fill in gaps for risks that local insurance companies refuse or are prohibited from taking.

One such risk is earthquakes in the Far East; another might be the appropriation of property; yet another could be differences in the legal interpretation of contracts. These gaps are frequently filled by "global master contracts" with international offshore insurance companies willing to take overseas risk of this sort.

Although many questions have been posed about the adequacy of Union Carbide's insurance to deal with compensation for the victims of Bhopal, the company itself has indicated that its cover and other available assets should allow it to meet its responsibilities without threatening its viability. Some analysts have put the amount of its insurance at around $200m, although insurance experts in the chemicals industry believe it may be at least as high as $500m.

This figure sounds puny alongside the claims of $15bn, or even higher on some calculations, made against the company. These claims depend very *much, however, on* whether lawyers can make actions stick in the U.S. (where compensation is likely to be higher), and on whether victims will be awarded punitive damages.

'Star wars' teams named by Pentagon

THE PENTAGON yesterday named 10 industry teams to make the first overall studies of concepts for the Reagan Administration's "star wars" space-based missile defence, Reuter reports from Washington.

Industry observers said the 10 are likely to have their foot in the door in later design and development of the programme, called the Strategic Defence Initiative, which is expected to cost more than $30bn (£25bn).

Each team was awarded a $1m contract to evaluate the performance and costs of existing and future technologies, such as lasers, to be used in the programme, designed to knock out incoming Soviet missiles.

The teams were asked to submit their results as soon as possible after about five months, when certain contractors will be selected to do more detailed studies.

The teams were: (1) General Research, Santa Barbara, California; (2) Hughes Aircraft, El Segundo, California, with Pacific Sierra, GTE, Avco and Bechtel National; (3) Lockheed, Sunnyvale, California, with Honeywell, Raytheon, National Institute for Public Policy, SRS Technologies, and Contel; (4) Martin Marietta, Denver, Colorado, with GA Technologies and Logicon later; (5) McDonnell Douglas, Huntington Beach, California, with Aerojet, E-Systems and R&D Associates; (6) Rockwell International, Seal Beach, California, with Titan Systems; (7) SAIC-Science Applications International, La Jolla, California, with Booz Allen & Hamilton and Coleman Research; (8) Sparta, Huntsville, Alabama, with W J Schafer Associates and Nichols Research; (9) Teledyne Brown Engineering, Huntsville, Alabama; (10) TRW, Redondo Beach, California.

Anti-trust chief to quit

The U.S. Justice Department yesterday confirmed reports of the imminent departure of Mr Paul McGrath, who in his year as head of the anti-trust division, presided over the department's move away from stringent regulation, writes Nancy Dunne in aWshington.

Mr McGrath, head of the Department's civil division from 1981-83, succeeded Mr William Baxter whose abrasive style and easing of anti-trust rules made him a controversial figure on Capitol Hill. Mr McGrath was more conciliatory. He continued Administration policies and cut the number of department lawyers pursuing anti-trust cases.

His first major act brought him an avalanche of criticism when he opposed the proposed merger of LTV and Republic Steel.

Canada agrees first offshore gas sales

BY BERNARD SIMON IN TORONTO

THE FIRST sales of natural gas from Canada's offshore reserves have been agreed amid a flurry of activity on energy issues involving the Federal Government and oil and gas producers.

Mobil Oil's local subsidiary and the state-owned energy group Petro-Canada have signed agreements with U.S. pipeline operators for gas deliveries, starting in the late 1980s from the Venture offshore field east of Nova Scotia. Thevalue of the contracts was not disclosed.

Mobil, which aperates the field, has a 42 per cent stake and Petro-Canada 30 per cent, but participants have agreed to sell their shares of the gas separately.

Earlier this week, the Government said it could help improve the competitiveness of Canadian exports of light crude oil to the U.S. by extending the normal term of export licences from one to six months. Canada *sells about 100,000 barrels a* day of surplus light crude to the U.S.

The ruling Conservative Party promised during the election campaign earlier this year to review the energy policies of the previous Liberal government, particularly the provisions of the National Energy Programme launched in 1981, in a bid to increase Canadian self-sufficiency and local control of the oil and gas industry.

The programme's provisions, which discriminate against foreign energy companies by holding local oil and gas prices below world levels, drew strong criticism from U.S. oil companies and from the governments of producing provinces in Western Canada.

The previous government was also embroiled in a bitter constitutional dispute with Newfoundland over control of potential offshore oil and gas fields.

Miss Pat Carney, Energy Minister, said last week that the Government was close to signing an agreement with Newfoundland, dividing management and control of its offshore development between the federal authorities, the provincial government and an independent regulatory board.

Miss Carney has begun discussions with Alberta and British Columbia on new pricing policies and other changes in the energy programme. According to local reports, disagreement remains on the extent to which domestic oil prices should be decontrolled.

California claims major oil groups fixed prices

BY WILLIAM HALL IN NEW YORK

MAJOR U.S. oil companies regularly swapped confidential pricing information about their marketing activities on the West coast, the biggest single petroleum market in the U.S., and secretly swapped crude oil among themselves, according *to court papers released this* week.

The court papers refer to activities which took place in the 1960s and early 1970s before the sharp rise in world oil prices. They have been released as part of a series of lo long-running legal battles between several western states and major U.S. oil companies.

There has been no love lost between California and big oil companies over the years and the latest legal fight, which has been going on for nearly a decade and is expected to drag on for many years, will serve to *further strain relations.*

California alleges that the U.S. oil majors have been guilty of fixing prices in the retail petrol market and underpaying for the oil found in the state.

A U.S. district court judge has said there is "substantial indication" that the allegations are true,

Banks allow Panama to roll over debts

Panama's 12-bank advisory group headed by Bank of America have agreed to a 90-day roll over of some $45m (£37.5m) to $50m debt falling due in the first quarter of next year, writes Margaret Hughes.

The extension has been granted by the commercial banks to allow Panama to finalise its programme for a standby credit for 1985-86 with the International Monetary Fund

WORLD TRADE NEWS

World Bank provides boost for British energy saving company

BY LORNE BARLING

WORLD BANK funding for energy savings projects around the world has provided two important contracts for the Ntaional Industrial Fuel Efficiency Service, a UK company which began life as a government department.

Nifes, as it is known, has recently completed consultancy work on a $30m ($25m) World Bank project in Turkey, which is a large net importer of energy is a large net importer of energy, despite its considerable reserves of low grade coal, and was therefore seen as a worthy recipient of a soft loan to improve fuel saving.

Under a £1m contract, Nifes prepared a report for the Turkish Government on energy saving measures in three sectors of industry—textiles, paper and ceramics. West German consultants carried out a similar study on power generation, and a Japanese concern looked at steelworks.

The $30m will be spent on implementing the recommendations. Further work may be obtained by Nifes if the Turkish Government seeks design for feasibility studies, according to the company's Birmingham-based director Mr Ken Hawkins.

Nifes has previously carried out consultancy in Zambia, the Sudan, Bangladesh and China, but most recently has signed a contract worth $1.6m to conduct work in Portugal, where the World Bank is making a further $30m available.

The company will carry out 80 short audits and 100 major audits to study energy use by Portuguese companies involved in food processing, paper and board, wood, textiles and ceramics.

Mr Hawkins said: "Portugal has a severe domestic energy shortage and until recently was *spending some 75 per cent of* its foreign exchange annually on the purchase of fuel from abroad."

Targets had been set for reducing this dependence, and Nifes work, backed up by local companies, would help pinpoint the best way to achieve them.

Mr Hawkins said savings of between 10 and 30 per cent could be achieved by most companies through "good housekeeping," plant modification and a limited amount of investment.

He said that in most developing countries energy was used relatively inefficiently, and that his company saw this as a growing market for its services. In addition, it could create a considerable number of orders for British equipment to be used in energy conservation.

As with other overseas work, the competition was severe. Around 100 consultants tried to win the Portugese contract. Nifes' success was attributed to its low price and long experience in the field.

Nifes was formed about 30 years ago, but under the Heath government in the early 1970s it ceased to be a Government controlled oganniation and was sold to its staff.

After the energy crisis in the mid 1970s, the company's turnover grew fairly rapidly to its present level of around £3.5bn a year.

Mr Hawkins admitted that it has taken time for the company to throw off some of its Government department attitudes and become competitive in a market which other consulting engineers were quick to enter.

He said British industry had done a lot to improve its energy efficiency but many companies could do a great deal more.

"They don't realise that money saved through cutting fuel consumption is the same as improving their profit margins in other ways," he said.

The main method of achieving this remained through investment in more efficient energy systems, waste heat recovery and electronics energy management.

China 'to buy three Airbus A-310 jets'

By Michael Donne, Aerospace Correspondent

A MEMORANDUM of understanding for the purchase of three European Airbus A-310 jet airliners, worth around $150m (£125m), has been signed by the Chinese Civil Aviation Administration (CAAC), according to Herr Hans Vogels, chief executive of Messerschmitt-Bolkow-Blohm of Munich, an Airbus partner.

Herr Vogels said in Munich yesterday, according to Reuter, that he hoped this would result in further business between Airbus Industrie and China.

Herr Johann Schaeffler, managing director of MBB, said a firm order was "relatively certain." Two aircraft would be delivered in 1985, and the third in 1986.

Price problems

The deal is understood to have been reached during the *recent international aviation* exhibition held in Beijing, which was attended by most overseas aerospace manufacturers interested in selling to China.

Airbus Industrie in Paris could make no comment on the matter yesterday.

Reuter adds: Attempts by British Aerospace to sell an unspecified number of its new *medium size BAe-146* passenger jets to the Civil Aviation Authority of China (CAAC) have run into price problems, foreign industry officials said here.

They said BA had hoped to sign an agreement during the visit to Peking of Mrs Margaret Thatcher, the British Prime Minister. However, a possible deal was delayed when the Chinese side asked BA to slice $2m off the $16m price for each of the jets, they added.

The official said BA found it impossible to make such a price cut, which the Chinese said was required to match cuts by U.S. companies seeking to supply CAAC with similar aircraft. Competing aircraft for domestic trunk route services are Boeing's 737 and the McDonnell Douglas MD-80.

David Marsh reports on diplomatic efforts to boost British products

Embassy enters the export market

"THIS IS the best thing they're doing to help exporters," said warr, the man from Cooper and Sons, the crutch and walking aid manufacturers from Godalming, Surrey, his glass of wine lifted in toast.

Mr Mark Hill-Reid, Cooper's product manager, was taking a light refreshment recently during one of the more unusual incursions of the British embassy in Paris into the *world* of commercial enterprise.

As part of a steadily growing trend by Britain's foreign diplomatic outposts to get involved in the nitty-gritty of export promotion, the embassy was playing host to an exhibition of British-made medical equipment and other aids for the handicapped.

The mirrors and gilded furnishings designed for Napoleon's sister Pauline Borghese (before the building was bought by the Duke of Wellington after the Battle of Waterloo) may have been hidden by an array of flotation mattresses, wheelchairs and Possum electronic communication equipment.

But the prestigious surroundings helped attract 160 visitors representing doctors and specialists, charity officials, distributors, civil servants and even one or two handicapped people, that access eased by a specially constructed embassy wheelchair ramp.

British makers of equipment for the handicapped see France as an important market because of the range of UK products and the frequent lack of corresponding aids from French manufacturers.

According to Mme Jacqueline Roux of the leading French voluntary group, the National Laison Committee for Re-adaptation of the Tandicapped, one reason for the advance of UK manufacturers is the National Health Service system *reimbursing purchases of aids* for the handicapped.

In France, this is the exception rather than the rule, and the specifications for products which can be bought with state support are "rigid," she says.

"French engineers are interested in producing sophisticated aids such as voice and remote control equipment," she says. "But manufacturing simple daily functional materials does not interest companies."

One British company taking advantage of the trend is Nottingham Medical Aids, which makes a range of often simple aids such as adapted eating utensils and hygiene equipment. The company appointed a French agent in Tours in the summer and aims to do £20,000 worth of French business next year after £6,000 this year.

Mr Graeme Wright, director, said the company needs to establish itself in France in advance of a possible change in the state reimbursement system which could lead to domestic producers becoming more competitive.

Mr Hill-Reid of Coopers said he met good response from French doctors and physiotherapists for the company's folding aluminium walking frames. On a "voyage of exploration" to try to locate a French sales agent, he remarked with brash salesman's self - confidence: "French crutches don't have an anti-rattle feature. We're too good for this market."

At the luxury end of the range, Vessa, the main manufacturer of wheelchairs for the NHS, exhibited electric vehicles for handicapped people costing up to FFr 27,000 (£2,700) this year for its mini jeep-like Trekka model.

"We're looking especially for directors of hotels and institutes and making contacts through them," said Mr Mark Uttley, Vessa product manager. "The embassy have done us proud."

According to Britain's Paris ambassador, Sir John Fretwell: "Ever since the 1960s embassies have been extensively involved in commercial work. A considerable portion of our assets are now employed in that direction. I'm sure I visit more trade exhibitions than most of my colleagues in Paris."

Apart from medical equipment, the embassy this year is putting emphasising British security devices and information technology. Staff make about 150 contract-making visits a year to see French businesses. French companies are encouraged to ring up for information about commercial links with the UK—9,000 telephone inquiries of this sort were registered last year.

The embassy can point to one recent major success in encouraging British firms to step across the Channel. Partly as a result of embassy promptings, Sinclair Research of Cambridge, now the main force on France's domestic computer market, is preparing to set up a French production unit early next year as a prelude to an all-out assault on the fast-growing — but heavily protected — market for selling computers to French schools.

U.S. groups export units sought

BY BRENDAN KEENAN IN DUBLIN

IRELAND is joining the hunt for the estimated 9,000 U.S. companies which will have to establish a presence outside the U.S. in order to continue to enjoy tax relief on export earnings.

The U.S. changed its legislation, under pressure from other signatories to the Geneva-based General Agreement on Tariffs and Trade, so that only "Foreign Sales Corporations" (FSCs) incorporated in a foreign country can qualify for the relief. Previous U.S. legislation provided for establishment of domestically-based international sales corporations (Discs) to take advantage of tax relief to abet overseas sales activities. The Gatt members successfully persuaded the U.S. to drop this export technique.

The Shannon Development Corporation, which runs the duty-free airport industrial zone near Limerick, is leading the Irish campaign to attract some of the new FSCs to the zone. Shannon's assistant general manager, Mr William Maloney, has just returned from a marketing tour of the U.S. to sell the attractions of an Irish location.

Mr Maloney said Shannon was not looking for the major share of FSC investment in Europe but the new legislation was a "heaven-sent opportunity" for the zone, which has been promoting investment from abroad, especially from international *service companies*, for the past 15 years. It is thought that four U.S. companies have already decided in principle to establish in Shannon and several others have made inquiries.

Holland and Belgium have taken the lead as locations for U.S. companies to incorporate their European subsidiaries, but Ireland can point to the already substantial U.S. investment in the country undertaken over more general foreign investment schemes. Over one-third of the 93 companies in Shannon are North American, while the U.S. accounts for over half the total investment by foreign firms in the Republic.

The Irish also offer their standard incentive package which includes a maximum 10 per cent corporation tax rate. Shannon offers duty-free port status as well, and grants of up to 50 per cent o nthe cost of buildings and plant for distribution firms.

Responsibility for industrial developments outside the Shannon area rests with the Industrial Development Authority (IDA),

Hong Kong conciliatory in textiles dispute with U.S.

A TOP Hong Kong trade official offered a conciliatory note yesterday in the colony's dispute witht he U.S. over textile import restrictions, AP-DJ reports from Hong Kong.

At a press conference, Mr Hamish MacLeod, the colony's Director of Trade, said Hong Kong's unhappiness with the U.S. customs department's country-of-origin rules should *be kept in perspective.*

"Certainly we have serious problems over the new origin rules," Mr MacLeod said. "But these do not alter the fact that the U.S. is our greatly valued, largest trading partner,

Mr Macleod also said that the Reagan Administration was helpful in persuading Congress to continue to include Hong Kong in its tariff preference scheme.

He said Hong Kong would carry its campaign against the country-of-origin rules into 1985. But he said the major issue of the New Year probably would be consideration of what will replace the multi-fibre arrangement, which expires in 1986.

● The Export Credits Guarantee Department has guaranteed a £22m loan to help finance a contract for the supply of an automatic train control and signalling system for phases one and two of the Mass Rapid Transit Railway in Singapore, our trade staff writes. The contract has been awarded to Westinghouse Brake and Signal Company of Chippenham, Wiltshire, a Hawker Siddeley company, by the Mass Rapid Transit Corporation of Singapore Finance has been arranged by J. Henry Schroder Wagg on behalf of a syndicate of lending banks comprising: Barclays, Lloyds, Williams and Glyn's and Banque Paribas (London).

UK offers Egypt help in design of power stations

BY MAURICE SAMUELSON

BRITAIN HAS offered to help Egypt to design and operate coal fired and nuclear power stations as part of Egypt's bid to become less dependent on *oil.*

The assistance is provided for in a memorandum of understanding signed in Cairo this week by Sir Walter Marshall, chairman of the Central Electricity Generating Board, and Mr Abdel Hamid Mohammed a-Sayyad, chairman of the Egyptian Electricity Authority.

In addition to its ambitious goal of building eight nuclear stations over the next 20 years, Egypt intends to convert some of its old, inefficient oil fired stations to natural gas, as well as build new, coal and gas fired generating capacity.

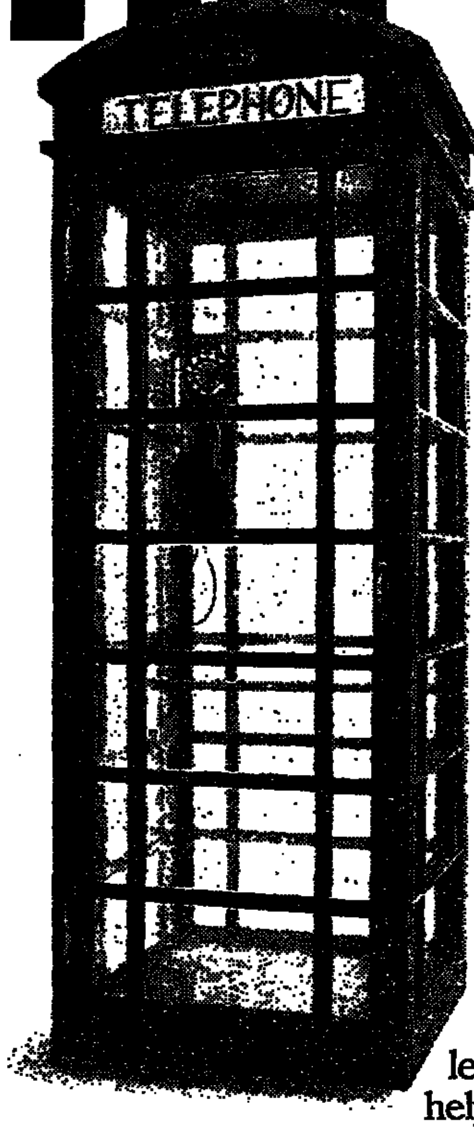
The CEGB, acting through British Electricity International, has to develop training programmes for the Egyptian electricity indsutry since 1981. The new agreement extends this to design and operation of power stations as well as re*search facilities.*

The Egyptians are eager to enlist international help in developing a large coal mine at Maghara in the Sinai peninsula, which would produce 600,000 tonnes a year, for the cement, steel and electricity industries.

Reuter adds from Paris: new requests by the Egyptian authorities have pushed up by 40 per cent the value of the Cairo metro project being constructed by a consortium led by Ste Generale d'Entreprises-Sainrapt et Brice (GGE-SB), an SGE-CB official said.

The original contract was for 1.6bn francs (£145m).

THE PHONE CALL HEARD ROUND THE WORLD.



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UK NEWS

TI develops robotics system

BY LYNTON McLAIN

TI MATRIX, part of the TI group, is about to deliver its first fully automated flexible manufacturing system (FMS), as the first stage of a company strategy to treble the share of turnover taken by FMS.

Flexible manufacturing involves computer-controlled robot trucks feeding a range of products to computer-controlled machine tools in a flexible way which allows dozens of different products to be handled.

Mr Kirk Forrest, sales and marketing director of TI Matrix Herbert-Churchill, the marketing arm of TI's machine tool companies, said the £500,000 order from Deep Sea Seals, of Havant, Hampshire for TI's first FMS was "important to the long-term prospects of TI Matrix, even though it is only a small order." The field is dominated by U.S. companies.

TI Matrix has already won its second order for an FMS, worth about £1.5m, for an unnamed customer.

The flexible manufacturing system is designed to cut by 80 per cent the machining time for the propeller shaft seals made by Deep Sea Seals. The Havant company also aims to double its £3m turnover in five years with the commissioning of the computer-based system next month.

The system will be used initially with the Deep Sea Seals' product range of about 20 seal sizes, in two different metals. The computer in the system has the capacity to handle up to 200 products.

The complete system has been put together by TI Matrix as prime contractor, but much of the associated equipment has been supplied by other companies. TI Matrix designed and made the computer-numerically controlled machining centre in the system.

An associated vertical turning lathe, also computer controlled, was supplied by Webster and Bennett and the automatically guided robot vehicle with a lifting capacity of 3.5 tons by Babcock-FATA, part of Babcock International. The computer software in the system was designed by Istel, formerly BL Systems, the programming company of BL.

The automatic vehicle, complete with its heavy load, is capable of delivering parts to the loading, unloading and machining bays under complete computer control with an accuracy of better than one millimetre, TI Matrix said.

TI Matrix has an annual turnover of about £10m. The aim is to raise the proportion of turnover taken by FMS orders from the 5 per cent attained with the current order to about 15 per cent.

Much of the rest of the turnover is accounted for by more conventional grinding machines, with 90 per cent exported.

BNFL will invest £150m more to cut nuclear discharge

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITISH NUCLEAR Fuels is spending an additional £150m on effluent treatment plant for its Sellafield reprocessing factory in Cumbria, to reduce its radioactive waste discharges into the Irish Sea to "virtually zero," Mr Con Allday, chairman and chief executive, said yesterday.

This is the price to be paid for the latest leak at the Sellafield factory, in November 1983, when a substantial discharge of radioactive effluent contaminated Cumbrian beaches.

The cost will be met partly by the main customers for Magnox fuel reprocessing – the Central Electricity Generating Board and the South of Scotland Electricity Board – and partly by BNFL itself, which operates its own Magnox reactors and reprocesses fuel for two overseas customers.

The Government and its Radioactive Waste Management Advisory Committee have accepted the company's plans for reducing radioactive discharges to the levels being achieved by Sellafield's French counterpart at Cap la Hague near Cherbourg.

The main beneficiaries of the £150m extra investment by 1991 will be British civil and chemical engineering companies, British Steel and the local authority in increased rates, BNFL said.

Three main investments will be required: an additional effluent treatment plant to remove alpha-activity from waste streams and to clean up effluents already stored at Sellafield, extra storage tanks to retain effluent until the new plant is ready, and extra filtration of the effluent from the £130m site ion exchange effluent plant (Sixep) due on stream next year.

● Britain is dumping millions of tonnes of waste each year from which materials worth £750m could be recovered.

A minister with responsibility for waste could help realise the cash potential of discarded paper, metals, glass, textiles and plastics and awaken local authorities and industry to the advantages of recyling, according to a report, "The Wealth of Waste," published today by the Trade and Industry Committee of the House of Commons.

The report recommends that the new minister should be given overall charge across departments for recycling policy. The committee felt there was an "obvious confusion" between the roles of the Trade and Industry and Environment departments.

Swan Hunter delays delivery of Cunard vessel

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE ATLANTIC Conveyor, successor to the Cunard container ship sunk in the Falklands war, has been further delayed at the Swan Hunter shipyard on the Tyne in North-east England which won the £40m order after strong political and industrial opposition in Britain to the contract going to the Far East.

The yard, with Cammell Laird on Merseyside and Vosper Thornycroft in Southampton, is also hoping for one or both of the Type 22 frigate orders (£135m each) that the Ministry of Defence is likely to place next month.

The Atlantic Conveyor is not expected to enter into service with Atlantic Container Line (ACL), the consortium in which Cunard is a shareholder, until mid-January.

The delivery time had been revised from the third quarter of 1984 to this month, but the yard, which shuts for two weeks at Christmas, will not have the ship ready until next month.

After the political furore about the possibility of the order going to Japan or South Korea in the summer of 1982, Lord Matthews, then chairman of Cunard, said of Swan Hunter that "as long as they can make August 1984, that will be satisfactory."

Beyond that, however, "we're in very serious trouble," he said. Cunard, part of the Trafalgar House group, has not said what level of penalty payments it might claim from Swan Hunter for the late delivery.

A recent overtime ban at Swan Hunter held up work on the vessel. The yard said yesterday military work on the Atlantic Conveyor, which received government funds to equip it for a naval support role, had also caused delays.

The three ACL ships built at the Kockums yard in Sweden were all delivered on time, though the fifth of the new ships in the total order, being built in France, has also been delayed.

ACL, which has French and Swedish shareholders, has had to charter vessels to offset the delay in the Atlantic Conveyor. This year has seen hectic cargo trade to the U.S., although eastbound business has been slack.

State borrowing may overshoot £8.5bn target

BY PHILIP STEPHENS

BRITAIN's public borrowing was estimated at £1.8bn last month, bringing the total since the start of the financial year in April to £9.8bn and raising some doubts in the City of London over whether the Government can hit its £8.5bn target for the full year.

The view in Whitehall, however, was that the Government is still on course to achieve the target. Officials pointed out that public finances frequently run into surplus in the last months of the financial year.

The £8.5bn figure was confirmed by Mr Nigel Lawson, the Chancellor of the Exchequer, in his autumn economic statement last month after being revised upwards from the £7.2bn initially set in the budget.

Government revenues will be boosted in coming months by the receipts from the sale of shares in British Telecom – £1.5bn in gross terms – and by the impact of new rules accelerating VAT payments on imports.

There is still some concern in the City, however, that the public sector borrowing requirement will overshoot, particularly since the miners' strike now seems set to continue into the new year and the privatisation of British Airways has been delayed until the next financial year.

Brokers said that it would be unusual for the Treasury to change its forecast now since the margin of error at this stage in the financial year is about £2bn either side of the official target.

The autumn statement, however, assumed that the miners' strike would be over by the end of this month. If, as many observers believe, it continues until the spring, it could add another £1bn or so to the PSBR, the brokers say.

This could be particularly offset by higher-than-expected revenues, particularly from oil, but the Treasury no longer has the cushion which the sale of shares of British Airways would have provided.

Brokers have, also been focusing on the pace of public spending, with supply services, the best guide to departmental outlays, rising by an annual 6½ per cent since April against a government target of 5¾ per cent.

Yesterday, however, financial markets reacted calmly to the November total since it had been widely discounted after last week's money supply figures.

ACT and Tandy to run computer shops

BY JASON CRISP

APPLIED Computer Techniques (ACT), of the UK has linked up with Tandy, the U.S. electronics retailer, to form what they claim will be the largest chain of computer shops in Europe. The group is expected to have sales of £50m in its first year.

The two companies have formed a joint venture which will start trading in February with 70 stores, called TA ComputerWorld. It will be 50 per cent owned by each company and will take over ACT's 21 existing franchised ComputerWorld stores and 49 Tandy computer stores.

Mr Roger Foster, founder and managing director of ACT, the fast-growing personal computer group, said yesterday: "We view this deal as one of major strategic importance on a par with setting up Apriot Inc."

ACT recently raised nearly £13m to set up Apricot Inc to market its range of business computers in the U.S. If successful, Apricot is expected to have sales of $151m by 1987 and profits of about $15m. Apricot is using the former distributors of Apple Computers to sell its products in the U.S. There is no intention that Tandy will supply ACT products in its retail outlets there.

The new TA ComputerWorld chain will stock computers made by both ACT and by Tandy. Unlike independent dealers, the ACT and Tandy stores have not previously offered customers a choice of makes. The deal will also mean that ACT products will be sold in a further 430 Tandy outlets in Europe, including franchised stores and the computer departments in general Tandy stores.

Tandy is the world's largest electronics retailer with more than 6,000 company-owned stores and more than 3,000 dealers and franchised outlets in 100 countries. It is also a large supplier of business computers, which are sold only through its own stores.

The joint-venture company has been set up with an initial capital of £9m comprising £3m equity, £3m loan capital and £3m in bank facilities. It will buy the 70 retail operations from ACT and Tandy.

● VICTOR Technologies, the troubled Californian computer group recently taken over by Datatronics of Sweden, is taking legal action against ACT, which until recently was its biggest customer.

Last month, Victor announced it was entering the UK market and was ending ACT's exclusive distribution rights of the Sirius computer. Since then relations between the two companies have deteriorated. Victor is seeking the UK rights to the name Sirius in the courts and appears to be refusing to supply ACT with any computers after January 1.

ACT said it owned the rights to the Sirius name which it bought from ICL and was not willing to give it up because of the goodwill created by its own efforts. It also said it still expected Victor to continue supplying the Sirius computer next year.

ACT is selling about 150 Sirius computers a month to existing customers,

MacGregor pressed to restructure coal board

By John Lloyd, Industrial Editor

MR Ian MacGregor, the National Coal Board (NCB) chairman, is under increasing pressure from his managers to reverse the radical structural changes he has instituted

The British Association of Colliery Management (BACM) which represents the 15,000 middle and senior managers in the industry, has been pressing discreetly but persistently for an end to the MacGregor style within the coal board – so far without concrete success.

BACM leaders are to continue their talks, with both board and Government, in an effort to change what they see as a crisis of leadership in the board. They have been outspokenly critical of the functioning of the Office of the Chief Executive (OCE) – the apex of the board managerial structure, comprising Mr MacGregor and Mr James Cowan, the deputy chairman.

The main criticisms made by BACM – reflecting in particular complaints from the senior level of board management – are that the OCE has bypassed the consultative machinery, and traditionally consensual style, of managerial decison-making.

While it is acknowledged that more frequent meetings of senior managers – as of area directors, for example – have been held, it is felt that only board level changes can improve the position.

Such changes would, however, strike at the heart of the transformation effected by Mr MacGregor in the board. In place of a board largely composed, under his predecessors, of full-time officials, usually mining engineers, he has created one on which six part-time members, all businessmen, outnumbering the five full-timers, two of whom are himself and Mr Cowan.

No Laker indemnity, BA told

By Michael Donne, Aerospace Correspondent

THE GOVERNMENT does not intend to indemnify British Airways (BA) against any damages it may incur as a result of the litigation brought in the U.S. anti-trust courts by the liquidator of Laker Airways.

The liquidator, Mr Christopher Morris, is seeking an estimated $1bn damages from British Airways and others on the grounds that their actions in introducing "predatory" fares on the North Atlantic air route drove Laker out of business in early 1982. BA and the other airlines deny the charge.

It is now accepted by the Department of Transport that the issue is not likely to be settled in time to achieve privatisation of the airline by February 14, as originally planned.

No new target date has been set, but May next year is now considered more realistic.

The Government remains committed to the privatisation of BA. It feels that it is up to the airline to prove its case against the Laker liquidator's charges, and BA has consistently denied liability.

Lawyers for the two sides are discussing the position, but there is no sign of a settlement. Meanwhile, the Department of Transport remains deeply concerned about the way in which the U.S. Justice Department persists in regarding the anti-trust laws as superseding the Anglo-U.S. Bermuda Two air agreement.

Anglo-French helicopter engine tested

By Our Aerospace Correspondent

THE ROLLS-ROYCE/Turbomeca joint helicopter engine, the RTM-322, has successfully made its first test-bed run at Rolls-Royce's Hatfield, Herdfordshire, factory.

The RTM-322 is intended for helicopters such as the Anglo-Italian EH-101 and the RAF's proposed helicopter, the AST-404, which could be any one of three candidates – the Westland W-30, the French Aerospatiale Super Puma or the U.S. Sikorsky S-70A Black Hawk.

The U.S. Army is studying the RTM-322 to decide whether to buy it to re-engine its large fleet of Sikorsky Black Hawk and Hughes Apache helicopters. If successful, the engine could win orders worth hundreds of millions of dollars.

The Anglo-French development programme on the RTM-322 is shared between Rolls-Royce and Turbomeca, the French engine company with which Rolls-Royce has been associated for many years on other engine programmes.

Work on the first 12 prototype engines, and the £100m launch costs, are divided between the two countries, with the costs shared equally between the companies and the two governments.

TSB public share sale will favour savers and employees

BY DAVID LASCELLES, BANKING CORRESPONDENT

DEPOSITORS, including children, who opened accounts at the Trustee Savings Banks before last Monday, will be at the head of the queue for shares in the group when it is publicly floated at the end of next year or early in 1986.

Priorities for share allocations were announced yesterday by Sir John Read, chairman, to coincide with the Government's White Paper on the reorganisation and sale of the group to private investors. The TSB's 25,000 employees will also get preference, and a few special shares will be allotted to charities.

Nobody will be allowed to own more than 5 per cent of the TSB stock for five years after the flotation. The ceiling will then be raised to 15 per cent.

The TSB Bill, also released yesterday, will be put before the present parliament.

Mr Ian Stewart, the economic secretary to the Treasury, said he was anxious that the TSB "should be in a position to realise their full potential and to play a full part in the development of the banking sector. This will increase competition and consumer choice in retail banking at an important stage in the evolution of financial markets."

Although the Treasury is handling the flotation, the sale of the TSB differs from earlier privatisations in that the Government does not own the group. Its ownership status is unclear, and one purpose of the "sale" is to make the TSB accountable to shareholders and enable it to raise capital.

That means the proceeds from the flotation – which City of London analysts estimate anywhere between £500m and £1bn – will stay within the TSB and give it a significant capital boost, instead of benefiting the Treasury.

The decision to set the TSB under the Companies Act (like other large banks) rather than as a mutually owned (like a building society) was one that the TSB itself strongly supported, Sir John said. It means, however, that the legislation must be tightly drawn to ensure that ownership really has been vested in shareholders.

Lazard Brothers, the merchant bank, is advising the TSB on the flotation, and Rowe & Pitman will be the brokers. Dewe Rogerson, the public relations firm that handled the British Telecom issue, has been appointed to advise on publicity.

Labour's Treasury spokesman, Dr Oonagh McDonald, attacked the White Paper as an attempt by the Government "to privatise something that does not belong to them." She said the assets could better have been transferred to the TSB's savers and employees to allow social ownership of the group.

In 1983 the TSB made a pre-tax profit of £155m. Sir John said 1984 results, which are due to be announced in February, "won't be a bombshell." He declined to be drawn on how the TSB would spend the proceeds of the flotation except to say that the group was "examining other possibilities."

With about 13m accounts the TSB has the largest personal customer base of any banking group in the UK, though its branch network and total deposits are smaller than those of the big clearing banks.

Aside from banking it has interests in credit cards, insurance, hire purchase and car rentals. Its aim, according to Sir John, is to become an all-round financial service group.

Tories revolt on spending cuts

BY ANDREW ARENDS, KEVIN BROWN AND JOAN GRAY

MR Patrick Jenkin, the Environment Secretary, faces an embarrassing revolt by backbench Conservative MPs in the House of Commons today over cuts in local authority capital spending.

Protests were so widespead that Mr Bernard Weatherill, the Speaker (chairman) granted a Labour request for a three-hour emergency debate today.

Mr Jenkin received a mauling at the hands of Conservative critics as he announced a clampdown in the amount of money available to be spent by local authorities generated from sales of council houses and other assets. Some estimates put this figure at more than £1bn in 1985–86.

Mr Jenkin was supported by only two Conservative MPs.

Dr John Cunningham, the Labour environment spokesman, said the announcement was a kick in the teeth for the building and construction industry, and a betrayal of Government promises.

Mr Jeff Rooker, a front bench Labour spokesman on the environment, said "the contemptible and disgraceful" cuts would cost 100,000 jobs in the construction industry next year.

Mr Jenkin said local authority capital spending next year would be set at just over £4bn. Receipts were expected to be about £2.1bn, and the cash limit on net expenditure was being set at £1.95bn.

Local authorities had accumulated reserves of capital receipts estimated at £5bn, and unless corrective action was taken cash limits on spending could be breached.

Ninth North Sea oil licensing round will raise over £120m

BY DOMINIC LAWSON

THE GOVERNMENT will receive a windfall of over £120m as a result of cash bids by the international oil industry for 15 "auction blocks" offered in the ninth round of UK offshore oil licences.

This is almost four times as much as was raised by a 15 block auction in the previous licensing round of 1983. The result was described yesterday as "astonishing" by Mr Colin Phipps, chairman of the Association of British Independent Exploration Companies.

It appears that about £250m was actually offered for 13 of the 15 blocks by the time that bids closed on Monday. Some of the blocks, however, were bid for by many consortia, and only the highest single bid will be accepted.

The Government opened up a total of 195 blocks for licensing, and 147 applications were received from 130 companies, setting a record for a UK offshore licensing round. About 100 blocks have been applied for, and it seems certain that the Government will be able to license more than the target of 80 it set itself at the outset of the ninth round in February.

The main characteristic of the round was the opening up of frontier areas in the deep waters west of Shetland and the Scottish mainland. The Government attempted to attract the oil industry into such a speculative venture by saying that volunteers would be treated preferentially in the allocation of more obviously desirable acreage.

The result has been that offers have been made for all the frontier areas opened up by the Government, including totally unexplored areas west of the Hebrides.

A number of oil companies yesterday warned that any feeling of euphoria about prospects for large new UK oil finds would be misplaced. They argued that only five or six of the discretionary blocks on offer were of compelling interest, and that the Government's linkage between prime blocks and speculative ones could create a misleading impression of the oil industry's view of prospects in UK waters.

Seabed contract won

BY DAVID FISHLOCK, SCIENCE EDITOR

A BRITISH scientific research council has won a £12m contract from the U.S. Government for seabed surveys off the U.S. coast.

The contract involves the use of a unique British technique for remote-sensing of the ocean bed at depths as great as serveral kilometres.

In London yesterday, the Natural Environment Research Council signed a six-year agreement with the U.S. Geological Survey to use its sonar technique to map up to 200 miles off the west coast, from the Canadian to the Mexican border.

The U.S. Geological Survey plans to publish atlases as the survey progresses, as "road-maps" for anyone wanting to explore or exploit the seabed.

The technique, known as Gloria, is a low-frequency sideband sonar system under development for nearly 20 year by the council's Institute of Oceanographic Sciences, at Wormley, Surrey.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

UK merchant banking

The biggest chases the best

David Lascelles on Kleinwort Benson's aspirations after its launch of British Telecom

HEARTY self-congratulation is not the style of Kleinwort Benson, where they tend to wear dark suits and speak in measured understatement. But having *just qualified for the* Guinness Book of Records as organisers of the stunningly successful £4bn British Telecom flotation—the biggest ever — the UK's biggest merchant banking group also wants to be thought of as the best, a title that has tended to elude it, at least by the gossipy standards of the City lunch-table.

"We shall be trying to capitalise on British Telecom," says Michael Hawkes, the chairman, whose gentlemanly, almost self-deprecating manner belies one of the most seasoned merchant banking minds in London. Now 55, he has been with Kleinworts for 30 years and took over the top job last year.

THEY FEEL they have earned their Christmas holidays in the corporate finance department at Kleinworts. For the last 2½ years the 60-strong staff have spent most of their *time on the BT flotation.* "The power behind the issue" is one wisecrack doing the rounds.

What are the lessons from BT?

"It's shown that the London market has the capacity for really big issues. We needn't have an inferiority complex about the Americans any more," says David Clementi, one of the directors involved. "It's also shown that the com*mission structure is cheaper* in London than the U.S."

Not that BT was always set to be a sure-fire success. Kleinworts had an uphill slog in the early stages to persuade institutions that they should buy shares for reasons other than loyalty to the Government.

But then the bandwagon began to roll, partly because of the autumn stockm arket boom. But Kleinworts also *ascribes the sell-out* to the highly visible marketing campaign it launched which created the vital ingredient to stir potential buyers: a fear of scarcity. "We actually went out and sold the shares. That's something quite new for the UK," says Clementi. "We didn't just sit back and say 'Here they are.'"

Kleinworts won't say how much it was paid for the work, but £4m is probably close to *the mark. This is a relatively* modest sum, and the bank may have little more than covered its costs. But the benefits of publicity and prestige were *substantial.* "Some people must have thought we were an advertising agency," says Hawkes of the nightly TV commercials that carried Kleinworts name.

Some merchant banks have pooh - poohed Kleinwort's speciality of Government flotations (it has done several others including British Aerospace), saying it is unrewarding work which diverts management from pursuing more *glamorous and lucrative business.* There may be something in that, but it has not stopped them entering the "beauty contests" for future flotations. Lazards has won the contract for the Trustee Savings Bank, Hill Samuel for British Airways, and *Rothschild for the Royal* Ordnance Factories. Kleinworts, which was not allowed to tender for other business while BT was going on, has *now been appointed adviser* to another privatisation candidate, British Nuclear Fuels.

Roger Taylor

Michael Hawkes: "trying to capitalise on BT"

Kleinworts has already been beefing up its corporate finance staff to engineer the big, complex and frequently multinational, deals which any self-respecting merchant bank must be able to do these days, though having made a speciality *of government work Kleinworts* will do that too despite the relatively small reward, at least in cash terms (see box).

But if Kleinworts lacks the mystique of, say, Warburgs or Morgan Grenfell, it is not far behind. "They used to be third and slipping. Now they're third and steady, maybe even rising," says a competitor.

Even without BT, Kleinworts has been involved in most of the big City stories recently: the defence of Waddingtons, the recapitalisation of Johnson Matthey, the trans-Atlantic split-up of Bowater, the Al-Fayed purchase of Lonrho's stake in House of Fraser and the reorganisation of Massey Ferguson.

It also has the largest pure banking business of the merchant banks and, through its subsidiary, Sharps, Pixley, plays a leading role in the gold market. (Kleinworts pushed the Bank of England hard to rescue Johnson Matthey Bankers, fearing that the collapse of the bullion bank would damage its own standing and frighten the London gold market off to Switzerland.)

In recent months Kleinworts has also embarked on one of the most internationally ambitious of the many securities operations now being put together by City institutions. It *has committed nearly £70m to a* worldwide dealing and broking business, which includes forging an alliance with Grieveson Grant, one of London's leading *stockbrokers, and establishing* a presence in the U.S. Government securities markets.

Kleinworts is reputed to be the wealthiest and most strongly capitalised of the accepting houses, though, like all merchant banks, it conceals its true financial condition. In mid-1984 *it reported total capital resour*ces of over £350m, balance sheet footings of £4.6bn. Profits in 1983 were £21.7m. (Hawkes says he would like to disclose more but feels that with all the upheavals in the City, secrecy is a privilege he should cling to.)

In the 23 years since it went public in 1960, Kleinworts grew to be the largest merchant bank without making a single rights issue. One reason was that it was able to shelter almost all *its profits from tax in the 1970s* by judicious use of leasing allowances and stock relief on Sharps, Pixley's gold holdings (relief applied not just to Kleinwort's own gold, but the gold it was holding on behalf of its customers). But that is virtually finished now, and the bank is ruing the large profit increases it reported at the height of the gold bonanza in 1980-81, because they are hard to better.

The bullion business is flat, and if profits for Kleinworts as a whole are rising it is, Hawkes says, because the rest of the group is "going like billy-oh!"

But if Kleinworts people are sensitive to suggestions that they are big rather than best, there is an air of solidness about the bank's tower in Fenchurch Street, much talk of "team spirit" within it and a sense that Kleinworts has got what it takes to be a major force, in the UK as well as internationally.

"Some merchant banks have too many clients," says Hawkes. "They just cannot service them. I think we can." Unlike other merchant banks where the top man spends much of his time buttering up their big corporate customers, Hawkes leaves most of that to his polished vice-chairman, Martin Jacomb, and concentrates on running the group and getting transactions *going.*

But the key to Kleinwort's future, as with most of the large London merchant banks, depends on how well the budding securities venture shapes up. The group wants to become an issuer, dealer and broker in all the major financial markets—the UK, the Euromarket, the U.S. and Japan—both to trade in its own right and as an adjunct to its corporate finance business, which will become more "transaction-oriented" or concerned with putting deals together rather than just advising. It will also back the group's fund management side which *will control over £8bn.*

Kleinworts started badly by seeming to pay a lot of money —the agreed total is an eventual £44m—for the goodwill of Grieveson. But Hawkes calls it a bargain. The going rate to buy funds under management, he says, is 1 per cent of the sum involved. Since Grievesons manages £4.5bn, Kleinworts appears to have paid for that alone, "and got the stockbroking business free." He only wishes it could buy the whole of Grieveson now (it only has 5 per cent), rather than wait for the Stock Exchange to change its ownership rules, probably in 1986.

Kleinwort's shareholders were also told that even though the acquisitions would cost the *equivalent of a quarter of its* capital and reserves, this was "not disproportionate," and that the rest of the business would continue to be well supported.

De Zoete and Bevan's banking analysts recently calculated that Grieveson would probably account for about 10 per cent of the after-tax profits of the merged entity, which would leave Kleinworts much less exposed to the vagaries of the securities markets than, say, Warburgs, where the share will be closer to 40 per cent.

Grieveson will be completely integrated: the whole 25,000 *square feet of the first floor* on Fenchurch Street has been earmarked for 200 dealer positions. All duplicate operations will be merged. But it is a huge and costly exercise in which technical and cultural strains are bound to develop. Kleinworts will also be absorbing Charlesworth and Company, the small jobbing firm it bought for £800,000.

In the U.S., Kleinworts paid $27.3m for ACLI Government Securities in April, making it the first foreign bank to own outright a primary dealer in U.S. Treasury securities, and followed that up in October by buying a Chicago financial futures broker. UK-Japanese government negotiations may also lead to Kleinworts and a couple of other UK merchant banks being allowed to open branches in Tokyo.

But while the combination of ACLI, Chicago and Grieveson (which has 10 per cent of the UK gilt-edged broking business) looks like the start of a major international dealing operation in government securities, Kleinwort's plans in the UK are relatively modest.

The group will apply to become a primary dealer in the new gilt-edged market, but will, according to Hawkes, "do as little business as possible."

The operation will be capitalised at about £15m, which is well below the £20-£30m other banks have talked about, and will aim for a sufficient volume of business to sustain Grieveson's share of the broking market, but little more. This is partly because Kleinworts feels the Bank of England's proposed rules are so tough that decent profits wil be hard to come by. But Hawkes also seems to be worried that the huge positions which dealers take on in the course of their business will make KB look overstretched, even though most of them would be offset by "matched" deals.

Anyway Kleinworts has pulled off the acquisition trail now and staff are being told in the latest internal newsletter that the group is entering a "period of digestion," which will include a big effort to boost the group's information and computer abilities. Then, with luck, it should be all systems *go for the Big Bang.*

BUSINESS PROBLEMS

Stamp duty

I wish to sell my business and retire. I understand that, because of my age, I can obtain exemption from CGT up to £100,000 for the sale of my shares, provided I have held them for at least one year and one day.

I had 50 shares and my wife also had 50, but in view of the possible sale, my wife transferred 49 to me last April. I did not, however, realise that I should have advised the stamp duty office, and have just kept the share transfer form.

Can I put things right by advising the stamp duty office, apologise for my ignorance, tell them that I put it in the company's share register and state my wish to pay now whatever stamp duty I should have paid at the time? My company has made a small loss for the past few years but I may be able to get about £50,000 for the sale.

We recommend that you consult the company's solicitors and/or auditors, because an offence appears to have been committed, under section 17 of the Stamp Act 1891 (as amended by the Criminal Law Act 1977).

You could take the opportunity also to consult them upon the likelihood of your do-it-yourself tax-avoidance scheme being frustrated by the application of Furniss-v-Dawson principles.

You will find general guidance in two free booklets, which are obtainable from your tax inspector's office: IR28—Starting in business; and CGT11—Capital gains tax and the small businessman.

Even if you have managed without an accountant up to now, we recommend that you seek professional guidance through the tax (and legal) maze, at least for the change-over from one business to the other. The solicitor who is acting for you in the property purchase will be able to give you tax guidance at the same time, no doubt.

Roll-over

I have recently disposed of a newsagents, tobacconist, confectionery and grocer's shop, which included freehold property, for the sum of £50,000 and goodwill for the sum of £25,000 and according to my calculations there will be a capital gains tax liability of approximately £12,500.

I am, however, in the course of purchasing a guest house for the sum of £60,000. I will be supplying a service in that my terms will be bed and breakfast and I hope to remain open throughout the year unlike most guest houses in the area which tend to close for the winter season.

It therefore occurs to me that I will be able to claim roll-over relief and I would therefore appreciate your comments. The property I have in mind requires a certain amount of work before it can be satisfactorily let and the saving of the capital gains tax would enable me to carry out the necessary work on the proposed property.

Going it alone

I am a technical manager working for a multinational company. Within the space of the next few years, I expect that I may be "invited" to take early retirement, with, I hope, a near full-term retirement pension amounting to perhaps £7,000 pa, which I would happily accept.

In anticipation of that, I have a notion of forming myself into a private company to act as, say, a technical sales agency/consultancy to take commissions from some form of business client(s). The intention would be not so much to create a full-time job in retirement, but rather to spend 2/3 days a week (at most) discharging commissions/contacting relevant clients/customers throughout the UK.

Would this enable me to claim expenses (eg for purchase/lease of a car, phone, secretarial assistance, travelling, etc, etc)? I recognise that these expenses may well exceed the income from such a business—what would happen in these circumstances? In the extreme case, ie if there were little or no income from the business, might these expenses still be claimed? If so, would they be deducted from my other source of income (ie my pension) in arriving at my taxable income?

Ask your tax inspector for copies of the free booklets IR28 (Starting in business) and IR18 (Corporation Tax).

On the bare facts outlined, we do not recommend the formation of a company; but you should find IR28 helpful in crystallising your ideas.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

TECHNOLOGY

EDITED BY ALAN CANE

Security

Fencing around

FAST FENCING for latter-day supporters of the Enclosures Acts comes from Jacksons Express Fence of Stowting Common in Kent.

It can be erected at the rate of 4 metres a minute, according to the company, and this rate of assembly can be achieved by two men using only an 8 mm spanner, say the manufacturers.

No holes have to be dug as the fencing is mounted on cast concrete feet each weighing 50 kg — handholds have been moulded into the feet to facilitate transportation.

The fencing is fabricated in galvanised 41.5 millimetre steel tube, *and the infill is galvanised* steel wire chain link of mesh size 50 millimetres square.

The infill is held rigid by vertical stretcher bars and each *section of the fencing is 2.03* metres high and 3.5 metres wide.

According to Jacksons, its fast fence is suitable for use on construction sites and industrial areas where temporary, secure storage or vehicle parking facilities are needed, but it has a wide range of other uses in docks, harbours, airports and so on.

It could for example, be used at sporting events to create temporary crowd control areas or by airport authorities to create a secure area for storage — anywhere *in fact where speed of assembly and security are important.* Jacksons is on (023 375) 393.

THE ART AND SCIENCE OF YULETIDE BAKING

Mystery of Christmas pud mould

BY PETER MARSH

IT HAS been a good year for Christmas puddings. Britain's pudding companies, which make each year some 15m of the items worth about £20m have reported few problems in the sometimes tricky cycle by which *the products are made.*

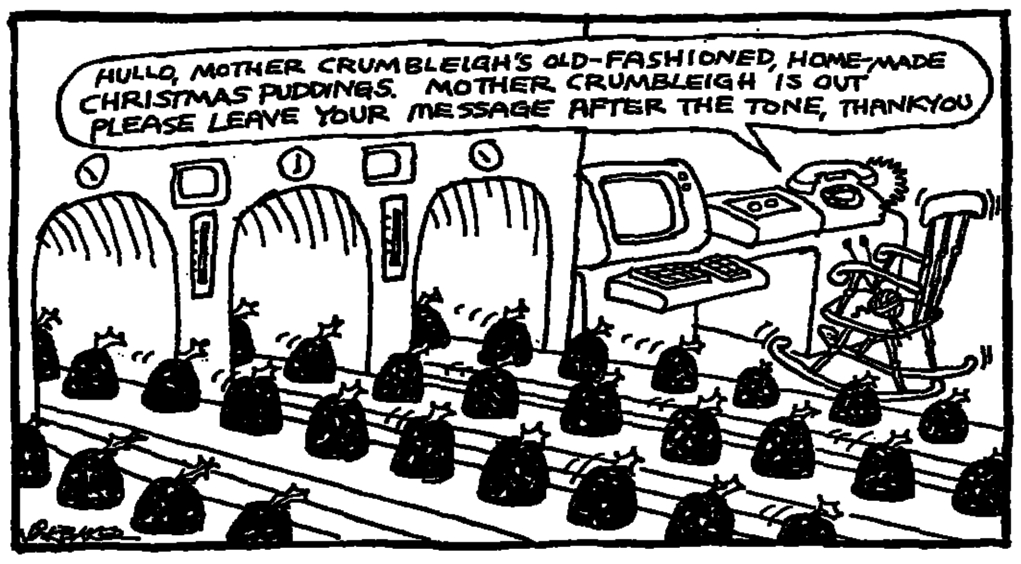
As a result, it looks as though UK consumers, who every Yuletide munch their way through about 10,000 tonnes of puddings, will not be affected this year by a phenomenon that can cast a shadow over the Christmas dining table—pudding mould.

Bacterial growth can form if too much moisture enters the space between the top of the pudding and the container. To control this factor is at the heart of Christmas-pudding manufacture.

Last year, shockwaves were sent through the Christmas-pudding community after Peek Frean, the biggest manufacturer, reported mould growth in some of its products. The company, part of the Nabisco group, employs 50 people who make puddings all the year round in a factory in Bermondsey, London.

Peek Frean received 100 complaints from people who bought the faulty puddings—almost certainly, the number of affected products was much higher. The company had failed to bake the puddings for long enough during a key stage of manufacture.

This was not the first time the company had been hit by mould growth. It suffered a sinking feeling in the late 1970s after adding too little fruit in the mixing stage, which again resulted in excess moisture.



This year the company says it has had no problems of this sort. Its puddings should normally last 2-3 years if stored in a cool, well-ventilated place. The Flour Milling and Baking Research Association in Chorleywood, Hertfordshire, *says it normally hears from* manufacturers if they run into mould difficulties—so far this year, all has been quiet.

*In Christmas-pudding manu*facture, workers put the pudding mixture into small basins and load them into steam ovens. Steaming normally takes about three hours, although Matthew Walker of Heanor in Derbyshire allots six hours for this process. The puddings are taken out and stored before being sold to shops.

Mixing of ingredients is crucial. Too much water can lead to mould: the Chorleywood research association recommends moisture content should not exceed 25 per cent.

Manufacturers can lower the risk of mould by adding more solids such as sugar and dried fruit that dissolve in the water, reducing the water vapour in the space above the pudding. But too much of these solids can *make the pudding dry*—another possible cause of complaint.

Other ingredients usually include bread crumbs, fat, flour and eggs. "Up-market" manufacturers, such as William Gunstone of Sheffield, add alcohol in place of some of the water. In contrast, the recipe of Peek Frean (which produces relatively cheap puddings) does not include alcohol.

The seminal scientific paper on this subject, entitled Christmas pudding manufacture and quality control, appeared 25 years ago in the journal Food.

James Robertson of Manchester (which is part of the Avana food group) is the next biggest producer after Peek Frean. In third place is Matthew Walker, which sells half its puddings under its own label and the rest to supermarkets which put their own labels on the products. The company's recipe, based on a formulation dreamed up in the last century by the founder's grandmother, is a closely-guarded secret. Matthew Walker has a file on long-lived puddings: the record is held by a pudding whose owner kept it for 14 years before eating it.

PROLONGING THE LIFE OF FRESH PRODUCTS

Why meat needs gas protection

CHRISTMAS is a time for massive meat consumption as well as of Christmas puddings. Consumers are demanding more fresh meat on the supermarket shelves which has led makers to seek ways of prolonging product life.

Over the past few years fresh foods in supermarkets has become a growth sector whereas tinned and frozen foods have had static sales. Technologies such as gas packing have come to the aid of fresh food suppliers, typically doubly the life of fresh products.

Gas packing is a technique which has been developed to fulfil this need. Within five years its application in Marks and Spencer, for example, has grown to cover 95 per cent of all chilled red meats sold in its stores.

Gas packing is simply the replacement of aid in a meat pack with a mixture of carbon monoxide, nitrogen and oxygen. The extract proportions of the gases is a closely guarded secret. To accommodate the gas, meats are usually placed in a clear plastic box rather than vacuum packed. This means that suppliers to Marks and Spencer can offer thinly sliced meats in attractive packages. With a conventional vacuum pack, for example it would be impossible to separate thin slices of cooked or fresh meat.

The success of this technique has prompted the supermarket chain to extend the use of gas packing to fresh fish, some cheese, poultry and cooked *meats* where the life of the product can be doubled.

Marks and Spencer, which sees itself as a catalyst to the *adoption of new techniques* rather than being an innovator, and its food suppliers worked closely with equipment manufacturers in the UK to develop a British source of the equipment. Gas packing was originally developed in West Germany and Denmark.

Initially, however, a Swedish company called Ackerland and Rausing in Helsingborg helped the food chain adapt equipment for the British market. Then Multivac, a West German company with a UK subsidiary and Rose Forgrove made equipment in the UK.

ELAINE WILLIAMS

RAILWAY SYSTEMS

Automatic trains in London Docklands

THINK OF one of today's computer controlled toy train sets writ large and you'll have some idea of the kind of system which GEC-General Signal is to supply to the London Docklands. It is claimed that the signalling and train control system will be among the most technically advanced in the world.

It will be installed on the Docklands Light Railway, 12 kilometres of track running through one of London's fastest developing areas.

The trains running on the track will be driven automatically although there will be an attendant on board.

The control system will use a number of safety monitoring techniques to make automatic operation possible. These will include:

● A system for monitoring the speeds of trains on the track based on a technology being supplied by GEC-General Signal for the *Recife Metropolitan Railway* in Brazil. It ensures that speed limits are observed and that trains do not enter an occupied sector or block of track.

● *There are no lineside signals* for a fully automated system so signalling is entirely a matter for the computer which detects whether a block is occupied or not and allows trains to proceed only if conditions are safe.

● Trains are driven from station to station following a predetermined speed pattern—the system can choose either an energy saving pattern or minimum journey time pattern. This system, says GEC is a development of that used on the Birmingham Maglev people mover.

● Other computer systems will monitor the position of all vehicles in the system, call for routes to be set, authorise train departures from stations and allocate speed profiles.

It ensures trains run to the timetables, prevents train bunching, and optimises control of junctions.

GEC claims that unlike a toy train set, its Docklands system cannot go off the rails: "Should the automatic control equipment fail for any reason the train attendant will have access to a manual control panel. The operator at the control centre will be able to communicate with the attendants and the passengers in transit and at the 16 unmanned stations.

ALAN CANE

TEXTILE INDUSTRY

Cutting cloth costs

HOW CAN a manager be shown most easily the way to maximise energy savings? This seemingly simple question is one that has puzzled a lot of people in the textile industry, where energy costs are a high proportion of total outlays, and has led to a just completed three-year project at the Shirley Institute in Manchester.

Shirley, the leading research institute for the cotton and man-made fibres *sector of the* industry, found too many companies were suffering because their managers were unable to understand the ways in which cost savings could be made.

It therefore developed a simple system for energy monitoring which, at four sites in the finishing sector, has led to savings of about £350,000. If similar results could be obtained for the whole finishing sector, *Shirley believes the industry* could save over £9m.

The Shirley targeting and monitoring system means it is *possible* to monitor energy use against an expected level or norm. The institute claims this is the first time such a step has been possible.

The system is based on taking a backward look at the pattern of energy use in relation to known influencing factors. Total energy use is computed in common units, a best-fit equation relating total energy use to the influencing factors is worked out and the means for evaluating future energy use worked out from the details.

Once monitoring has been estatblised data collection can be organised at factory level on a weekly basis, allowing greater control over energy use and costs.

To obtain maximum benefit *from the system, according to* Shirley, an energy audit should be made.

The use of monitoring and target setting is now being promoted throughout the industry and a handbook has been produced to help companies.

ANTHONY MORETON

Energy

Solar systems

A SET of tracking dishes built by McDonnell Douglas could be a feature of solar energy systems later in the 1980s.

The corporation has built in Huntington Beach, California, a prototype of its "Dish/Stirling" electric plant that with the aid of a number of such dishes converts the sun's energy into electricity.

Each 18-metre diameter dish has 82 highly reflective mirrors. With computer-controlled motors, the dish tracks the sun and focuses radiation into a power conversion unit over the mirrors. Each dish generates up to 25 kw—a typical system might have up to 2,000 such devices.

Three electricity companies —Southern California Edison, Georgia Power and Nevada Power—are *participating* in the development programme and will receive single dishes for testing next year.

A key to the system is the *set of conversion units,* developed and built by United Sterling of Malmo in Sweden. McDonnell Douglas has an exclusive agreement with the Swedish company to use the units.

Metals

Religious tapestries

A BRITISH company has gained an unusual export order—selling precious-metal wire to Saudi Arabia for weaving into religious tapestries.

Johnson Matthey Metals of Wembley is providing the Ministry of Endowment of Saudi Arabia with 5 tonnes of wire worth £1.3m. The material, made from gold and silver, will be used in tapestries to cover a holy shrine in Mecca.

THE ARTS

Peter Brooks's award-winning production of "Carmen" (Helen Delavault, left) for Channel 4, subsidised by programmes like "Coronation Street" (right)

Television/Christopher Dunkley

Why BBC advertising would be a disaster

There is nothing sacrosanct about the licence fee and, indeed, nothing sacrosanct about the BBC. Who can forget that it was the BBC which shelved *Panorama* earlier this year to make way for *The Thorn Birds*? And despite their scaremongering about new technologies turning British television into "wall to wall *Dallas*" who is it that already brings us *Dallas*, thereby winning their highest ratings? Why, the BBC of course.

Moreover Britain's commercial television has repeatedly proved its ability to produce high quality programmes. It was ITV with *Made in Britain* which won this year's Prix Italia for drama and Channel 4's *Carmen* which won the music prize. ITV made the most celebrated series of the year, *Jewel in the Crown*, and ITV swept the board in New York last month to win all five International Emmy awards.

Why then should we go to the barricades to defend the BBC against Margaret Thatcher and Saatchi and Saatchi with their reasonable sounding suggestion that instead of raising the licence the BBC should sell just a little bit of advertising on its less serious channels? My answer—as a viewer actually willing to declare a liking for television, and as one obliged to admit that judged as a whole British television really is just about the best in the world—is not ideological but pragmatic. As a viewer it is the practical effects which concern me.

First, anybody who has watched television in the U.S. knows how awful it is not to have a single channel uninterrupted by commercials. After an American trip it is a huge relief to come home and watch entire programmes without interruptions. Many Americans now pay premiums for cable and satellite services precisely because they do not carry advertising.

But surely the suggestion is not that commercials should be carried on all BBC channels, only on a few of them? The idea of going a little bit commercial is rather like the idea of getting a little bit pregnant. Once the principle of a non-commercial public service broadcasting system has been breached no later government would be able to resist extending the process.

With the first two dominoes down what government would be able to avoid pushing the others — first Radio 4 and BBC 1 then BBC 2 and eventually even Radio 3? In the end we would have a commercial BBC competing with a commercial ITV.

And why not? This newspaper is commercial. The Times and The Guardian are commercial, and nobody suggests they are tainted: why not a one-hundred-per-cent commercial broadcasting system? Because television is structurally, technically and socially different from print and we know what the result would be from fully-commercial broadcasting systems elsewhere. While it is possible for quality newspapers to exist independently in the market place, television economics work differently.

The Money Programme, *Commercial Breaks*, *Panorama* and *Newsnight* could never exist on their own or even as a group outside the protection of a major broadcasting organisation with a mixed schedule. These programmes are in effect "subsidised" by *Wogan* and *Tenko*. Similarly Granada could not bring us *Brideshead*, *World In Action* and *Jewel In The Crown* if they were not also making *Coronation Street*.

Yet would anybody pretend that it was something special about the British combination of BBC and ITV which made all this possible? Indeed they would; in fact that is precisely the point. So far the BBC, because of its monopoly on licence fee money and the consequent absence of competitive revenue pressure, has willingly sustained abnormally large numbers of quality and minority programmes.

They became famous for them. So much so that when commercial television was introduced to Britain ITV's staff became keen to emulate and perhaps even out-do the BBC and win some of the kudos that went with high quality programmes. They were able to do this because ITV had a monopoly on television advertising with a consequent absence of competitive revenue pressure.

If the BBC and ITV were now to be forced into competition for the same pool of advertising money it would produce an American style ratings battle in which *Blankety Blank* would look like a haven of intellectual rigour. There is not enough advertising revenue to fund both ITV and BBC and the contest would consequently be violent, and the programme quality spiral would be downwards.

This is not just my belief. Rodney Harris, media director of the advertising agency D'Arcy MacManus and Masius which was commissioned to devise a plan for BBC advertising, says that if the BBC sold time like ITV, the ITV companies would go bankrupt: "Quite simply there is not enough advertising money to fund all UK broadcasting."

Denis Forman, chairman of Granada Television, wrote last week that the introduction of BBC advertising would be bound to lead to a struggle for revenue, and that struggle would be "for survival."

Even Stuart Young, the accountant who joined the BBC governors convinced that a little advertising would be a good thing, and whose subsequent appointment to the chairmanship of the BBC was seen as Mrs Thatcher's own choice, now believes after a few years studying British broadcasting that it would be a disaster.

The fact is that while the British may not be too good by world standards any longer when it comes to making shoes or ships or sealing wax, we happen—more by luck than judgment—to have hit upon a bipartite system of television production that works better than anyone else's. Sometimes ITV surges ahead, sometimes the BBC: at present ITV happens to be in the ascendant. A couple of years ago it was the BBC which was ahead in the ratings and the BBC which was winning all the international awards. We seem to be rather good at making televisio nprogrammes and the industry should be cherished.

Other nations may be somewhat surprised to see phlegmatic John Bull performing a balancing act of such peculiar delicacy: walking the high wire, carrying a pole in both hands with the BBC sitting on one end and ITV on the other. John Bull (the British citizen, of course, the viewer/consumer/elector/tax payer) is carrying them both because there is nobody else to do so. Whether he pays via the licence fee or the shopping basket he is the only customer and so, in the end, he *must* pay.

The belief that advertising revenue provides a "free" television service is a myth. Advertising money comes from exactly the same place as licence fee money: our pockets. Advertising people like to assert that advertising is self-financing because the more of anything you make and sell the lower the unit cost becomes. But there is a limit to how much detergent and margarine each of us can consume, and anyway most television advertising has nothing to do with increasing total consumption: it is concerned with brand awareness and brand switching.

Most money spent by manufacturers on advertising is promptly reclaimed from us via an on-cost on their products. We the viewers pay for commercial television just as surely as we pay for the BBC—but we don't pay directly or in one lump. So when MORI tells us in the Sunday Times that 56 per cent of viewers would prefer to see commercials on the BBC rather than pay an increased licence fee, the question to ask is "Did MORI make it clear that the viewer would be paying either way?"

In the end, though, isn't all this just another way of saying that the licence fee and the BBC are indeed sacrosanct? Not at all. If Mrs Thatcher and the Saatchi brothers can find a system which will provide the BBC's children's programmes, the BBC's sport, the BBC's classic serials, and the BBC's *Newsnight* plus ITV's *South Bank Show*, ITV's *Brideshead* and *Jewel In The Crown*, and ITV's *News At 10* at a lower cost than we presently pay while simultaneously entertaining all those who enjoy *Coronation Street*, *The Price Is Right* and *Tenko*, then we should jump at the idea, whether it is financed by licence fees, book tokens or cowrie shells.

But it should be incumbent upon those who want to tamper with John Bull's balance to show that—whether they are taking from one side or giving to the other—they are not going to wreck the whole act and find themselves with nothing to replace it. So far every scrap of evidence suggests that putting commercials on the BBC would indeed destroy the balance and bring disaster to both sides of British television.

La Traviata/Teatro Comunale, Florence

William Weaver

Just as all the other Italian opera houses are opening their winter season with gala productions, the Florence season closes (to give the Communale ample time to prepare for the Maggio musicale in the spring). But, this year, the final Florentine offering was as gala as any inauguration: a *Traviata* to be shared with Covent aGrden) conducted by Carlos Kleiber, produced and designed by Zeffirelli, and starring the young Cecilia Gasdia, singing her first Violetta. All scheduled performances were completely sold out long before the premiere, for which critics, opera-lovers, celebrities made a special trip to Florence.

The glittering audience was enthusiastic: applause all through the performance (not always at the opportune moment) and an ovation at the end. A triumph for all, Gasdia hailed as the "new Violetta." It seems churlish to utter any dissent, and yet it is hard to share the first-night enthusiasm. Far from being a thrilling new Violetta, Gasgdia seemed an intelligent musician with a lovely voice cast in a part that does not belong to her and, furthermore, in a production designed, it would seem, to crush the indiivduality of any singer. A vocal mishap or two in the first act would be easily forgivable, but it is less easy to accept the lack of spontaneity throughout, the anonymity and lifelessness of much of the singing. Even the sure-fire moments—"Amami Alfredo," for one—never wrung a tear.

If you liked the Zeffirelli film of *La traviata*, then you would probably liket his production. It has the same larger-than-life scale. But here the striving for facile effects is even more evident. Nothing can remain still, not even the scenery. Zeffirelli uses a revolving stage, especially in the first act, noisy and distracting and totally unnecessary. His determination to present the story in flashback looks particularly silly when, after miming the moribund Violetta all through the first Prelude, Miss Gasdia jumps out of bed, flings off her peignoir, reveals a ball dress, as the stage revolves to present her drawing room, crammed with guests, unsteady either because of the champagne or the revolve. This Violetta seems particularly prone to clutching or flinging herself upon the furniture ("Addio del passato" is sung as the heroine gropes her way into bed, very clumsily). The direction is apparent behind every gesture.

There are other miscalculations even more surprising from a man of Zeffirelli's experiences. One instance: at the end of the firfst act, when Alfredo's voice is heard off stage, we are unable to see Violetta's reaction, because Miss Gasdia has vanished behind a screen, to emerge only in time for her cabaletta.

Even Kleiber was something of a disappointment. There were, to be sure, memorable moments (the gossamer accompaniments to several arias, notably "Dei miei bollenti spiriti"), but at other times he seemed to be indulging the soprano, limiting himself to conducting a good, but not strongly characterised reading. As Alfredo, Peter Dvorsky was less aggressive than on some other occasions; and Giorgio Zancanago, the Germont, gave a sober, measured, and effective performance.

The eagerly awaited evening was, beyond question, a festive occasion; and it is always a pleasure to see a packed house applauding and shouting with approbation. It *is*, will be, interesting now to hear Cecilia Gasdia's Violetta in less emotional circumstances (and in a more intimate production).

The Marriage of Figaro/Croydon

Martin Hoyle

The *Carmen Jones* treatment for *Figaro*? Well, not quite. Despite the updating of Nicholas Broadhurst's production to "France in 1960," evoking memories of Roger Vadim's cinematic modernisation fo *Les Liaisons Dangereuses* with Moreau, Stroyberg *et al sim*, my complaint is that it goes nowhere far enough.

The plot still hinges on the Count's feudal right to enjoy any tenant's bride on her wedding night. The last act's tangle of disguises and mistaken identities looks wildly artificial in modern dress (especially when both the Count and Cherubino have an unimpeded face-to-face conversation with the Countess whom they have to take for Susanna); and despite some handy new lyrics ("Non più andrai" becomes "All the girls will be safe in their beds now," and Susanna ends the panicky little duet when Cherubino leaps from the window with "He really has a death wish—we're on the second floor") odd lines from Edward J. Dent are glimpsed like old friends.

Amanda Redman and Prue Clarke

Above all, the dialogue, especially when touching on "that unmentionable privilege," reverts to the formal prolixity of what might be the first translation.

We lose Marcellina, Barbarina and Bartolo: the climactic confusions are engineered by an eavesdropping Basilio (Michael Sadler's dapper young smoothie in spotted bow-tie is a change from the music-master's usual seedy lubricity).

The Act 2 finale ends with the discomfiture of the gardener Antonio, and we miss the sextet of family revelation that Mozart himself loved above the other numbers in the score.

Reference to numbers and liyrics suggests a musical. Sure enough, the Figaro is fresh from *Little Shop of Horrors*, the Cherubino last charmed me in Manchester's *Carousel*. Tony Britten, who worked on the National Theatre's *Guys and Dolls*, has reduced the score for violin, viola, cello and "keyboards" (not the half-expected synthesiser!)

If purists react with horror at this selection of numbers linked by speech, the opera's last two acts condensed into one, they should reflect on the introduction to opera it provide for the uninitiated or even hostile.

The opening of the last act finale and the Countess's arias were transposed. Though singing in an occasionally husky "show" voice, Amanda Redman made amends with an intensely felt "Dove sono."

Pointing and timing her spoken lines with wit, this beautiful, slightly full-blown, Rosina performs the *play* while the others as yet hover uncertainly in the limbo of translated libretto.

Janet Dibley's pre-Rahpaelite jaw made her an authentic-looking Victorian Cinderella at the National this time last year. Here, with a Tony Curtis quiff, her pretty page looks marvellous. The first aria found her small voice gutsy but "Voi che sapete" went better. By this time onehad adjusted to non-operatic resources: Terence Hillyer's Figaro, funny, impressioned, snarling, has a light crooning baritone. Stephen Tate's metallic timbre belongs more to *Cats* and *Blondel*(his recent successes), but like the whole committed cast he sang every note of what there was—though this Count is a bumptiously arriviste Euro-executive rather than the scion of a noble line. Perhaps French counts are.

Limited resources were turned to advantage in the last act. The heaven-sent moment when the philanderer realises his defeat and his wife yet again forgives him was preceded by a few seconds silence: with only six on stage, that ensuing hym six on stage, that ensuing hymn-like reconciliation summed up love, pain and the whole damn thing, was intense, moving, intimate. A production that gets this spot-on has its heart firmly in the right place.

Jack and the Beanstalk/Richmond

Michael Coveney

This is a perfectly reasonable pantomime in the beautiful theatre on Richmond Green, but I had been led to expect something much better. Richmond has acquired a reputation over the past few years. The script by John Morley and Dick Hurran (the latter also directs) is not so much limp as crippled. No one expects the Good Fairy's couplets to be comparable to Pope or Dryden. But Victorian rhyming, punning verse did at least have the good manners to scan every now and then.

Still, the good fairy, or Sweetcorn, is personified by Joan Sims, and other welcome veterans are Jimmy Edwards, *wandering on to do the old trom*bone and tuba routine with music ("What's this—Paganini ... *oh, no, page nine*") like a slightly risqué benevolent old uncle whom the kids love but *who might just say the wrong* blue thing; and Kenneth Connor as an excellent Dame Trot, milking the cow for laughs and corpsing professionally in the traditional drill routine, dressed as an over-age brownie with bosoms tht go bump and then pop in the night.

Hugh Durrant has designed some picturesque one-dimensional sets, the giant's lair evincing a distinct aroma of Mervyn Peake. The giant himself is like one of Maurice Sendak's Wild Things, his earthling henchman the dastardly Fleshcreep, whom Keith Barron plays rather benignly, and not very well, as a clone of Oliver's Richard III.

Most children responded warmly to ePter Goodwright's cheerful Simple Simon, and the highlight was undoubtedly his leading, with Dame Trot, of the *community singing. On our side* we sang "She'll be coming round the mountain" (clean version(, while the others and Dame Trot had a go at "When the Saints Come Marching In." The two songs knitted together beautifully. The contest was declared a draw, but we sang loudest. Oh yes we did.

Susan aMughan is the Pricess Melanie, no longer Bobby's iGrl, thank heavans, and she successfully conveys the sort of panto brainlessness that requires her to mingle partronisingly with skipping villagers before bursting, for no apparent reason, into an anodyne pop song.

Jimmy Edwards had a few gags for the mums and dads, but the dads also had the pleasing prospect of Suzanne Daniels as Jack, with legs as *long and slender as any bean*stalk. If you climb to the top ... but I'll leave that sort of *remark to the Professor.*

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

December 14–20

Theatre

TOKYO

Kabuki (National Theatre): Daikyoji Mukashigoyomi by Japan's most important classic playwright, Monzemon Chikamatsu, centres on the love-suicide of a merchant's wife and shop clerk. The play includes scenes in Bunraku puppet style, showing the close relationship between these two 17th century types of theatre. Yoshiwara Suzume is a dance featuring husband and wife peddlers in the Yoshiwara pleasure quarters of old Tokyo. English programme and earphone guide. (265 7411).

Shimpa (Kabuki-Za): This genre of Japanese theatre covers 19th and early 20th century period plays written after Japan's opening up to the West and the influence of contemporary Western melodrama. Shimpa actresses were the first women to appear on the stage in 250 years and the plays dealt with the important events of the day. They were also used as a vehicle for political protest against various policies of the Meiji government (1868-1912). As historical pieces which document Japan's early westernisation, Shimpa plays are facinating. The evening performance stars the leader of the most important Shimpa troupe actress Yoshire Mitzutani and Kabuki actor Tamnasaburo Bando, Kabuki's best actor of female roles. (541 3131).

Takarazuka All Girls Revue (Takarazuka Theatre, near Imperial and Palace hotels: Two original musicals, Meitantei Wa Hitori Chi (a detective comedy) and Lala Flora. This troupe, a Japanese speciality with the girls playing the male roles, is the counterpart of Kabuki. Spectacular and technically good, simple plots and English synopsis. (591 1711).

NEW YORK

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring Georges Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rodgers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

Balm in Gilead (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

Quilters (Jack Lawrence): Based on American pioneer women's descriptions of their work in making quilt blankets, Molly Newman and Barbara Damashek's musical arrives in New York remounted from its modest origins in Denver. (307 5452).

LONDON

Mother Courage (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Phedra (Old Vic): Glenda Jackson remarkable as the nearly incestuous tragic queen in a thrilling production by Philip Prowse. Costumes of shot silk and taffeta, and Robert David MacDonald's translation bravely takes on the challenge of Racine's untranslatable Alexandrines. Gerard Murphy, Tim Woodward and Georgina Hale in a strong cast. (928 7616).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

The Real Thing (Strand): Jenny Quayle and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

WASHINGTON

Crossed Words (Folger): A Christmas season pantomime is not much of an American tradition, but with John Neville-Andrews, an English head of the company, and the Globe Theatre as the setting, there is hope it can still catch on. Ends Jan 6. (546 4000).

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New directions in China

MRS MARGARET THATCHER, is today signing an agreement over Hong Kong's future with a China very different from the politicised and threadbare country she first visited as leader of the Opposition in 1977.

Then, just a few months after Mao's death and the fall of the Gang of Four, the process of dismantling Maoism had barely begun. Now, not only Maoism but even Marxism appear less and less relevent in the context of the new consumerism which the leadership has encouraged to motivate the drive to prosperity.

While Mao has retained his pedestal as founding father of the Chinese revolution, and Marx his status as its inspiration, the economic theories of both have been progressively shelved. The Chinese argue that the country remains socialist because the means of production — land and factories — are publicly owned, but small-scale capitalism, such as market gardening or the running of restaurants, is thriving on a substantial scale.

Reforms

China's new rich are mainly the products of Deng Xiao Ping's agricultural reforms which have allowed the peasants to grow and sell what they like, apart from a few compulsory quotas.

The "open door" policy of attracting foreign traders and investors has blossomed beyond what could have been imagined in 1977. China claims a figure of around $8bn worth of inward foreign investment since the policy was adopted five years ago. External trade has more than doubled As important as the inward cash flow is the impact of foreign businesses and technicians on a wide range of Chinese people, — from mid-level bureaucrats to students and oil rig hands — who previously were excluded from first hand contact.

Deng's ideas are popular with a great number of people in China, the rural families who no longer have to endure penury, intellectuals who get a much better deal and the thoughtful officials in industry and the bureaucracy who see them as supplying the motive power for the first real leap forward that post-1949 hChina has known. It new seems most unlikely that in Deng's active lifetime China will switch back to Maoist ways.

Yet it is certainly possible that from now on the pace of change will slow. The most difficult innovations are still ahead. Deng's next step, announced in October, is to reform the urban economy, developing power and responsibility to factory managers and revising China's topsy-turvy pricing system.

The Chinese have already said they will exercise caution in implementing these reforms. They have little experience of running the kind of urban economy they envisage, and they have not worked out in detail what they intend to do. The economic consequence of a bumpy transition to new pricing system and new forms of management could include damaging shortages, inflation, and lack of employment.

Programme

These would severely shake the confidence of China's city dwellers. And the introduction of the planned hire-and-fire system, the new requirements for managers to go out and sell, and even the simple need to keep proper track of costs and profits, could generate strains which might require course corrections.

So this reform programme, on top of ambitious plans for the development of energy, transport and industry, contains plenty of potential pitfalls. With Deng alive and well, China may muddle through successfully to create the infrastructure needed for the 1990s. But without him, it is still a moot point whether any of his likely successors have the strength and charisma to keep China firmly on its present track.

There is still a band of mid-level officials, recruited during the cultural revolution, whose ideas were formed in the radical atmosphere of those times. While they may not be ideologically committed to the extremes of Maoism, they are not likely to be efficient managers of a semi-market economy. Nor do they want to give up power to the technocrats. It is still too soon for Mrs Thatcher to regard Deng's policies, with all their implied reassurance for Hong Kong after 1997, as permanent.

Scrooge rules in council housing

MR PATRICK JENKIN, who seems to share with Mr Nicholas Ridley the role of official scapegoat for all the more unpopular aspects of the Government's policies, has been trapped again. With scarcely concealed distaste, he announced yesterday that the imposition of a new set of Treasury rules and forecasts will result in a severe cut in local authority capital spending, mainly on housing, amounting to some £900m.

The ruling, which will offend the building industry as much as it does the housing lobby, seems to arise from a particularly mean-spirited application of the Government's heads-we-win, tails-you-lose approach to local authorities. Two or more incompatible sets of rules are imposed, and whichever one produces the most unfavourable answer is held to apply. In this case, the local authorities are subject in general to a restriction on their borrowing, which is legitimate within the terms of the medium term financial strategy; but they are also subject to a cash limit on their capital investment. When, as this year, they can spend without borrowing, the more restrictive rule is imposed.

Mr Jenkin's attempt to justify this in terms of smoothing the flow of funds resulting from asset sales is not convincing; arbitrary and unexpected changes in capital plans are not an efficient form of smoothing. He was clearly embarrassed by the clear contradiction between this announcement and the general strategy for public houses could be used to build new ones, a policy which effectively mobilises the public sector housing stock. Selling houses and banking the proceeds affects nothing but the statistics.

More fundamentally, it is far clear why cash limits should be applied to capital spending at all, as opposed to borrowing limits. Given reasonably sensible rent policies—which are now the general rule—housebuilding should now be self-financing measured against indexed borrowing. The programme meets a clear need, it uses resources which are underemployed and available at very favourable real costs, and can be financed from existing cash balances. It is true there is a contingent liability for rent subsidy to poor and unemployed tenants; but does the Government prefer that they should remain homeless—often housed at great public expense in squalid "hotels"?

A marriage will not now take place

THE BREAKDOWN of merger talks between the worldwide accounting partnerships of Price Waterhouse and Deloitte Haskins and Sells will be welcomed by most people apart from the group of partners who initiated the plan and have now been made to look very silly. There are several reasons.

As yesterday's announcement demonstrates, the arguments for a marriage were not persuasive. The main motive seemed to be a wish to strengthen the firms' consultancy business in the U.S.— which was not particularly relevant to partners or clients elsewhere. In addition, there are legitimate grounds for anxiety about the size and range of consultancy work being developed by such firms. The question is whether these activities are compatible with the independence and objectivity essential to their role as auditors.

A merger would not have created anything approaching a monopoly which is why it was cleared — after some thought— by the relevant anti-trust authorities. But it would have led to further polarisation in the auditing of major companies, which is already tending to concentrate around less than a dozen international firms. And it could well have led to further defensive mergers among competitors.

Finally, such a link would have put an enormous strain on the concept of the partnership. Senior members of the two firms are already shown to be out of touch with colleagues who have rejected their nuptial plans. The idea of running a firm with more than 4,000 partners — which is what a merger would have meant — hardly bears thinking about.

THIRTY YEARS ON

The dawning of the day of the robot

By Peter Marsh

THIRTY YEARS ago this month the worlds of science fiction and production engineering collided. The result was an industry in robots, a fledgling business that in the coming decade could profoundly affect the way people live and work.

The event was the filing in the U.S. of a patent in "programmed article transfer." Its progenitor was Mr George Devol, a prolific inventor who had developed audio hardware for the first talking movies and radars used in the D-Day landings.

The sale of industrial robots, defined in technical parlance as computer-controlled arms for factory jobs, evolved from this patent. Today 500 companies sell the machines, generating a world turnover of about $2bn.

Yet the day of the robot as the true engineering device—as opposed to something dreamed up by science-fiction writers—may still be in the future. The devices are increasingly becoming part of automated systems in factories that link a variety of production tasks such as machining, assembly and inspection.

These networks of hardware promise to change the way workshops operate, by making goods more efficiently and with quicker turn-rounds

In a development whose consequences could be still more far-reaching, a small cadre of engineers around the world is working on "intelligent" robots with rudimentary reasoning power and senses such as vision. Such hardware would work in people's homes and in service industries such as food preparation, security work and cleaning.

In the forefront of these moves is Mr Joe Engelberger, a charismatic U.S. engineer who teamed up with Mr Devol in 1960 to form Unimation, the first company to sell industrial robots. Mr Engelberger, who sold Unimation to Westinghouse two years ago for $107m, has set his sights on raising $25m to produce a robot for petrol stations.

The machine would take the place of a station attendant (or, at self-service garages, the driver) in pouring fuel into cars and lorries. Unlike the so-called "first generation" robots that populate factories, the hardware would be on tracks or wheels and have sensors such as TV cameras to provide information, for instance the type of vehicle and the location of the filling cap.

The devices could be controlled by advanced computers, of the sort that electronics researchers are struggling to build, that would make elementary decisions.

"I was there at the beginning and I feel it's my destiny to take a lead in the production of service robots," says Mr Engelberger.

"The technology today is so hard and deep that I feel it's easier to make an advanced robot for service industries than it was to set up Unimation in the 1960s."

In Mr Engelberger's assessment, a fully-fledged household robot—"an honest-to-God robot, not a toy"—could be on sale in six years for jobs such as window cleaning, while the filling-attender device could appear in two years.

A machine to perform more simple tasks, to give patients their meals in hospitals for instance, could be developed within 18 months, says Mr Engelberger.

Interest in such hardware is not confined to the U.S., where several small concerns such as RB Robot and Androbot have sold for several years (and with varying degrees of success) small robots for hobbyists that cost several thousand dollars. The machines are dismissed as playthings by veteran robot-makers such as Mr Engelberger.

In Sweden, researchers at Electrolux are examining ideas for home robots that would vacuum the floor. In Japan, engineers started last year a $75m project backed by the Ministry of International Trade and Industry to develop by 1991 intelligent robots to work in hazardous environments, such as under the sea, in nuclear power stations or in rescue work after earthquakes.

Reekie Research, a tiny company in Richmond, west London, plans to produce in February a small, mobile machine that will initially be sold to schools. The device, which Mr John Reekie, the managing director, hopes to sell for about £700 ($840), could later be developed into a domestic model that could perform tasks such as looking after old people living alone.

In Mr Reekie's view, small enterprises will pioneer the work in home robots—just as they did in home computers. "The big companies have the resources but do not have the imagination."

Not everyone agrees with this optimistic stance on inteligent robots — Mr Devol is one of them. He says of household robots: "Maybe they'll come, maybe they won't. The price will have to be low and they will need more sophisticated computers than we have at present."

Development of more advanced machines would greatly expand the available market for robots. The current generation of robots, of which some 50,000 have been installed, are almost exclusively confined to manufacturing industry.

These machines perform tasks such as welding car bodies, painting washing machines and lifting objects off conveyor belts. They have no sensory ability, so their routine can be changed only by altering the programs in their computers.

It is an ironic thought, that if engineers succeed in making the more advanced kind of devices with "sense" which begin to emulate people, they will by a circular route have returned to the original principles of robot-building.

Prior to the Engelberger-Devol partnership in the 1950s, people had thought of robots as mawkish characters in science-fiction stories whose essential feature was their likeness to people. The pair's achievement was to abandon the quest to build such machines, which with the technology of the time would have been too difficult, and concentrate on something more practical.

Both men admit that they chose for their creations the word "robot" simply to attract publicity. Mr Devol says the word caught the attention of executives

Mr Devol's patent was aimed at automating handling operations of which every factory contains a huge variety.

He realised that only when the operation was part of a high-volume manufacturing activity (in which perhaps tens of thousands of items are made in very long batches) could a production engineer justify the costs of installing specialised handling equipment based on mechanical devices such as stops and cams.

Most factories, however, made things in small batches in which the size and shape of components change from day to day, or even hour to hour — this fact is as true today as it was in the 1950s.

As a result, most handling jobs had to be left to people, a state of affairs that Mr Devol characterised in his patent as "exceedingly wasteful of precious manpower."

The solution, said the inventor, was to link to mechanical arms magnetic memories of the kind that were appearing in the early computers. Mr Devol had gained experience of such devices through working for Remington Rand, one of the first computer manufacturers.

To change the operation of the arm, an engineer would simply alter the software (in the early days, this was a set of punched cards) that feeds information to the memory.

"The present invention makes available for the first time," said Devol in his patent, "a more or less general purpose machine that has universal application to a vast diversity of applications where cyclic control is to be desired."

At a cocktail party in 1956, Mr Devol, then 44, met Mr Engelberger, who was 13 years his junior and a disillusioned engineer in the aircraft industry. The two became friendly: Mr Engelberger already had a keen interest in robots as a result of reading the science-fiction stories of Mr Isaac Asimov.

Mr Engelberger eventually set up Unimation with financial help from Pullman, an enterprise best known for its railway carriages. Unimation bought the patent know-how from Mr Devol,

> The robot industry left the plateau stage in the mid-1970s when manufacturers showed more interest in the machines

But the ruse of applying the word "robot" to a piece of factory equipment backfired. With robots having entered the popular culture as nasty, threatening creatures, factory managers (to say nothing of their workforces) disliked the unpleasant connotations of the term.

Ford, for instance, insisted on calling the machines "universal transfer devices" for some years after Unimation started selling them.

Unimation installed the world's first industrial robot in 1961, at a General Motors factory in New Jersey. But Unimation made slow progress and failed to make a profit until 1975. Other American enterprises such as AMF, Hughes Tool and Borg-Warner that started making robots in the 1960s suffered similar problems.

The robot industry left the plateau stage in the mid-1970s when manufacturers showed more interest. In 1982, the recession in the world engineering industry began to bite and sales levelled off again, though they may once more be starting to climb.

According to many analysts, the robot market is suffering from an over-abundance of suppliers which has left customers confused. Anxious not to be left out of what appears to be a glamorous technology, major U.S. companies such as General Electric, IBM, General Motors and Westinghouse (as well as several big Japanese concerns) have joined the robot business over the past few years.

"The big companies jumped into an industry that wasn't ready for it, " says Mr Engelberger. "They are losing millions of dollars trying to carve out a share. Before the business is really settled, we will see a shake-out."

About 40,000 industrial robots, worth roughly $2.4bn, should be sold around the world next year according to one forecast from IBM. Some observers see sales growing at roughly 30 per cent a year, producing a $9bn business by 1990. About 40 per cent of all robots are sold in Japan, with Europe and the U.S. accounting for roughly equal shares of the rest.

Customers increasingly require robots to be part of complex networks of automated hardware that turn out goods in a flexible fashion so that the type of product can be altered between batches. The individual machines are linked by data highways in much the same way as offices are connected by the ordinary telephone system.

As a result of this development, robot suppliers are forced to become not just purveyors of mechanical hardware but skilled in software and the art of integrating segments of manufacturing apparatus under computer control.

"A customer won't go out and just buy a robot," says Ms Laura Conigliaro, an analyst with Prudential Bache Securities of New York, who studies technical trends in manufacturing. "He is looking for a complete solution to a production problem."

According to some experts, new technologies in sensors and computers, many of which are under development in academic laboratories, may strengthen the role of robots in factories by broadening their capabilities.

The links between the robots of science fiction and those of the real world were neatly summed up by Mr Asimov in a foreword to an engineering manual on industrial robots that Mr Engelberger produced three years ago.

Alluding to his famous collection of short stories on robots published in the 1940s, he wrote: "I did not at that time seriously believe that I would live to see robots in action and robotics becoming a booming industry.

"Of course, the robots that now exist . . . are not yet as complex, versatile and intelligent as the imaginary robots of I, Robot—but give the engineers time!"

THE SAVING OF LABOUR
THE ROBOT: '*Master, I can do the work of fifty men.*'
EMPLOYER: '*Yes, I know that, but* who is to support the fifty men?'
By courtesy of 'Punch'

Men and Matters

A tip for the Kremlin

It may have been a Freudian slip—the Press Association report which yesterday described Mikhail Gorbachev as "wildly tipped" to succeed Soviet President Chernenko, instead of "widely tipped."

But it was a timely reminder of the pitfalls of predicting what is going to happen in the Kremlin.

The Old Kremlin-watcher's rule of thumb is that the more a man is tipped to succeeed, the less likely it becomes. Trotsky lost out to Stalin, Malenkov to Khruschev. And even before Gorbachev landed in Britain, the Foreign Office seeers were warning that persistent press stories describing him as the Kremlin's number two could only damage his chances of reaching the top.

Press men believe they have sound reasons for disregarding such caution. But the very success of the Gorbachev visit has reinforced some fears about the boomerang effect in Moscow.

Praise for Gorbachev's quick-witted affability, and his chic wife, Raisa, personalises the pair in a way which may be awkward to explain to the faceless collective leadership back home.

And what will be made of comments like that of Mrs Thatcher—"I like Gorbachev, we can do business together?'

But nothing that Gorbachev has said shows him to be a soft touch. And times may be changing. Gorbachev, after all, survived the last successsion to become an even hotter favourite for the next.

"Give him air, give him air—he's just heard about the chairman's salary increase"

Dealt in

Andrew Smith, aged 38, who is joining the City of London discount house Alexanders Discount from Bankers Trust turns out to be a key figure in John Barkshire's plans for a broadly-based primary dealing company after the City's expected "Big Bang" in 1986.

Barkshire is chairman of Mercantile House which owns Alexanders, together with another discount house Jessel Toynbee Gillett (itself the progeny of a merger last year of two houses).

Mercantile House also has 29.9 per cent of stockbrokers Laing and Cruickshank and is expected to complete the purchase when the rules permit.

Barkshire's strategy is to run the discount houses and the brokers in harness.

Smith is to have special responsibility for bringing them together by setting up and managing a new market-making company (no name chosen yet). His merry men can expect to find themselves trading in gilts in a combined dealing room.

Smith is quite unlike the traditional City idea of a gilts trader. He went to Oakham School, Leicestershire, took a degree in mathematics at London University (which makes him a rare bird among the bill broking fraternity), and trained as an actuary.

The gilts market has a high regard for him both as a trader and because of his experience as a principal with Morgan Stanley and Bankers Trust.

They also say that he has a reserved manner and is an intellectual. In short, not your typical markets man at all.

Whip-crack

In taking the unprecedented step of depriving Lord Alport of the Conservative whip in the Lords, Government Chief Whip, Lord "Bertie" Denham has shown that his formal title, Captain of the Gentlemen at Arms, for all its Gilbert and Sullivan overtones, still carries some clout.

But the move hardly squares with the classic definiton of the purpose of the whip, advanced on an earlier occasion by Lord Hailsham, Lord Chancellor. He described it as "a summons to attend and not to vote." Former Tory minister Lord Alport's crime was that he did vote—against the Government.

You name it

A prompt response from readers, anxious to help Barclays solve the problem of naming its new securities operation with Wedd Durlacher and De Zoete and Bevan.

Since Barclays' chairman, Timothy Bevan, was a prime mover in the venture, C. A. Chapman suggests that Bevan Wedd Bevan might be apt.

Michael J. Perry suggests that, in view of the stormy, uncharted waters into which the new outfit will be sailing, it might be more appropriate to call it Barclays' Wedd-Zoete (geddit?).

Price trends

Who's first off the mark, offering customers the same high quality product for new, lower prices in 1985?

No, it is not Marks and Spencer; or Austin Rover. And even though the offer is Government guaranteed, you know it can't be British Telecom.

The answer is—Whitehall's very own Central Statistical Office, which is slashing the prices of its blockbuster publications almost to giveaway levels.

A whole year's supply of Economic Trends can now be yours for a mere £125—almost £25 off previous prices. There is 35p off a single copy of Monthly Digest of Statistics. Statistical News is down, down, down by 25p a copy. And you can get £7.25 off a 12 month subscription to Financial Statistics—including postage and annual supplement.

What has made these New Year bargains possible? The CSO says proudly that it has all been achieved by "using more efficient means of distribution and production." It pledges: "There will be no reduction in the quality, size or coverage of the various publications."

But will they tell a better story?

Trade mark

Coincidence? — surely not. Nissan will start assembling its cars in the UK in 1986. But it cannot expect to be free of the quota controls on Japanese car imports until it commits itself, as expected, to full-scale manufacture a year or two later

It looks like a dig in Government ribs, therefore, to have opened its London office at Arlington Street, St James's, in a building which was once the London home of Britain's first Prime Minister, Robert Walpole—possibly the most ardent British free trader of all time.

Observer

New technology in UK newspapers

Slowly but surely comes a revolution

By David Goodhart

THERE IS no single sector of British industry where new technology poses a more dramatic challenge than in newspapers.

For 20 years unions in Fleet Street have to varying degrees successfully blocked new processes which are now commonplacein most of Europeand the U.S.

But outside London it is beginning to be a different story. Parts of the provincial press — 1,300 titles with a total daily and weekly sale of 7m and 9m copies — may now at last be on the verge of an industrial transformation.

By the middle of next year in at least two companies a costly, time-consuming and technically unnecessary stage of the production cycle will have been shed forever. And to many people's suprise it is almost certain to be done with union agreement.

The way in which this change is taking place has implications well beyond the newspaper industry. For while the new technology will sweep away production jobs, international experience *suggests* that the *total number* of jobs in the industry will actually expand. Craftsmen whose skills have disappeared have found themselves doing jobs they never imagined they would be doing in such areas as sales and marketing.

For employers and unions the management of such change is a formidable problem, the more so because the industry is — like so many others in Britain — one in which several unions are jockeying not only for position, but also for survival.

The impact of the changes on the product or indeed on the recently improved finances of the industry may not be great in the short term. But the new computer systems make it far easier to produce appers and are, i nthe longer run, so much cheaper to operate that such papers can also be profiable with much smaller circulations.

At the heart of the new technology is what is called a "front end" production system. This allows journalists or advertising staff to input "copy" direct into a video terminal and then — at the press of a button — transform it into computer-set columns of type.

But thecomputer set columns of type can also be assembled electronically on a large, page-size screen and turned into a full page. Then, at the press of another button, this page can be made automatically into a plate ready tobe clipped on to a press. men, will go.

In one medium-sized evening paper the first stage of single-keying will mean the 80-strong composing room shedding about 20 jobs through redeployment and natural wastage.

The phasing out of page make-up work will probably cut the same number again — and eventually at least half the jobs will go including those of the readers who check proof copies.

The inter-union problems in the provincial press arise primarily from the fact that the disappearing jobs are almost all represented by the strongest union in the industry, the National Graphical Association.

The changes should, over the next five to 10 years, mean that NGA membership in the provincial press will fall from about 11,000 to under 6,000 in an industry which now employs 43,900. But the NGA is already fighting back with some success by trying to redraw the union map to its advantage.

It is a daunting task for the 105,000-strong union. It will have to prove in the process that it can mutate from being a disciplined, blue-collar union to being a more flexible, white-colar one. If it does not, it will fail to hold the mobile and less union-inclined workforce of the future.

In the meantime, the two other main unions — the National Union of Journalists (7,000) and the semi-skilled and clerical Sogat '82 (9,500)—have also to be persuaded or cajoled into accommodating former NGA members in "their" areas. And that will not be easy.

At the Portsmouth News, the NGA has successfully persuaded the management to transfer three compositors into sub-editors' jobs in the editorial department—but 73 NUJ members are now on strike because of it.

Mr John Ibbotson, deputy general secretary elect of the NGA, is unequivocal: "A Portsmouth-type transfer deal is now a condition of moving forward on technology in all companies.

Mr Jeremy Gardner, NUJ Father of the Chapel (office branch) at Portsmouth, replies: "Of course we welcome preperly retrained NGA members taking editorial jobs but once they move into this department we must represent them as has always happened in the past."

But if the NUJ tries to launch an industry-wide "holy war" against the NGA's toehold, it will probably be the loser. Managements will continue to be tempted to do deals with the stronger union. And the NGA, careful not to fight on two *fronts*, is coming to agreements with Sogat—on paper at least—for 50:50 representation in the relatively *non-unionised* clerical sector of the industry.

Union resistance has, until recently, been matched by management inertia on the "electronic newsroom." But the battering handed out to most papers by the recession in 1980-82 coincided with the growing encroachment of free newspapers on to their advertising monopolies put an end to that in some companies.

Project Breakthrough, the technology fanfare of the Newspaper Society, the provincial employers body (excluding Scotland), may have failed in its stated aim of reaching an unions on single-keying by January 1, 1985, but it has succeeded in increasing the pressure on the NGA.

When the Messenger Newspaper Group proved last year that the union could be by-passed (as the Nottingham Evening Post had done nearly 10 years before) the fear of others following suit also increased the need to make at lease local agreements something more than an ever receding promise.

The NGA is only too aware that the American conflict "model" for the introduction of single-keying has seen membership of the printers union, the International Typographical Union, slump from 110,000 in 1967 to 35,000 now at a time when total employment in the industry has increased from 345,000 to 421,000. It is true that the NGA is more difficult to by-pass because it also has members in the machine rooms, but British provincial papers have shown on several recent occasions that it is possible.

Compositors at work at the Liverpool Daily Post and Echo

The concession came—almost in disguise—earlier this year in the Way Forward document by Mr Tony Dubbins, the NGA's master-strategist and new general secretary. For the first time, formally, in writing, the NGA relinquished control of the keystroke as long as the direct-inputting is still done by a union member.

The rest of the document was concerned with the politics of inter-union relations — guided both by the unspoken self-preservation instinct of the NGA bureaucracy and a real anxiety about de-unionisation.

For NGA leaders recognise that all unions will be weakened by an electronic technology which will make it far easier for managers to keep papers coming out during disputes.

An ingenious NGA plan to relax the traditional job-related union structure in favour of a more abstract one third each breakdown between itself, the NUJ and Sogat, has been niffed at by the other two unions.

One union for the printing industry would side-step this divisiveness, but a mixture of organisational incompatabilities and membership resistance makes the prospect almost as distant as it was six years ago when serious talks first began.

The Portsmouth and Sunderland Group has chosen to negotiate a way through this minefield and despite occasional threats and conflicts is now achieving results. Last week the company had the first and apparently constructive round of discussions with Mr Dubbins on final stage of the NGA's three-stage negotiated route to single-keying.

Away from the Breakthrough spotlight several other negotiations have continued at local level — where progress has always been more likely.

[In the general print, the NGA rejected a national enabling agreement on new technology two years ago, but now the employers have got most of what they wanted locally.]

Several other companies have either advertising/editorial systems or are on the point of buying them from one of the many, mainly American, suppliers who have recently set up bases in this country with an eye to the provincial market. They include: the Birmingham Post and Mail; Eastern Counties Newspapers; East Midland and Allied Press, the Bolton Evening News, and the Wolverhampton Express & Star.

The bigger groups such as Westminster Press, United Newspapers, Associated Newspapers, Thomson Regional Newspapers and Reed International all have their technological front-runners, but they are generally waiting and watching to see how single-keying works in the smaller groups before making the major investments necessary.

In the longer run by lower the cost of entry into the market it may as in America boost further the trend towards small local free newspapers. It may also encourage more editionalising and genuinely local news

European aerospace

The right framework for multinational projects

By Henri Ziegler

IN 1944 under the Yalta agreement, the U.S. and the Soviet Union set down their aim of maintaining superiority over their respective spheres of influence in the western and eastern parts of the world by controlling flows of advanced technologies such as in the nuclear and aeronautics sectors.

France, under the leadership of Gen de Gaulle — as China was to do under Mao — affirmed its will to keep an independent place in the world by promoting independent programmes in nuclear energy, aeronautics and later space activities.

In 1945, as an engineer attached to the French Air Ministry, I was asked to carry outa study on how to bring recovery in the French aircraft industry, seriously weakened by the war.

My main conclusion was that no European country disposed sufficient financial and economic means to carry through alone important projects, especially in aeronautics. Such projects could be launched only through a policy of European cooperation.

This approach, just as it does today, raised some criticism and nationalistic opposition from sectors of administration and industry. But in the end, realism prevailed. And, nearly 40 years later, the message is as urgent as ever: in projects such as the European Jet Fighter project, Europe has no option but to pool together its resources.

Among the European projects put into effect since 1950 have ben ethe Lynx helicopter programme linking Sud Aviation and British Aerospace; the Milan, Hot and Roland missile development by France and West Germany; the multinational Breguet-Atlantic project; the Franco-British Jaguar and the Anglo-German-Italian Tornado.

In the space sector, which has become of fundamental importance for defence, observation and exploration of the planet, and communications, Europe has succeeded in co-operating on numerous satellite programmes. And, above all, it has established a position of autonomy in satellite launching through the Ariane programme, started in 1973 with the participation of 10 Europeans nations.

Concorde, of course, has to be mentioned as an example of technical prowess which unhappily could not escape commercial failure.

But the example is balanced b ythe success of co-operation over the Airbus programme. This is now a fundamental part of Europe's commercial aircraft industry, linking principally France, West Germany and Britain but with participation too from Spain, the Netherlands and Belgium.

And now, in 1984, five European nations—France, Britain, West Germany, Italy and Spain —have agreed to pool their resources for the development of a European combat aircraft for the 1990s. This is a project of the greatest importance for European defence policies, industrial activity and employment in the aircraft sector. Misunderstandings among the industries involved must not be allowed to hinder its development.

What lessons have we learned from this experience of co-operation? It is clear that

An autonomous legal structure is the most effective method

the success of multinational collaboration does not hinge purely on the bringing together of sufficient financial resources.

It is vital that the choice of projects should be made wisely, on the basis of sound technical competence and of precise agreement on specifications between industry and the customers—whether they be civil or military authorities or commercial airlines.

Additionally, a project will succeed only if it takes account of the world market, notably the state of competition in the U.S. No large modern project can hope to generate funds to repay the original investment unless it is realised on a world scale.

Above all, an efficient management structure is essential. During a certain period of post-war collaboration, the approach was to set up a system of committees which convened periodically to discuss problems on which the industrial companies had differing points of view.

This system—which was one of the reasons for the difficulties of Concorde — proved totally inefficient, leading often to significant delays and a big increase in costs.

The most effective method is undoubtedly to set up, for each multinational project, an autonomous legal structure in which partners can freely discuss their views through a board in which they are represented in line with their financial responsibilities.

Along the lines deicded by the board, executive responsibilities are delegated to a management selected on the grounds of competence and efficiency, irres pective of nationality.

I established this type of managerial organisation for the first time, more than 30 years ago, with the Secbat (Societe Europeenne de Construction du Breguet Atlantique). Since then, a number of similar specfic companies have been set up for the Jaguar, Euromissile and heicopter projects.

In space, European governments have aso put together a collaborative framework throug hthe European Space Agency, while the banks and industries are grouped together through Arianespace.

For the Airbus programme, launched in 1968, a consortium (Groupement d'Interet Economique) was established, sharing the financial participation and risks, which today groups Aerospatiale, Deutsche Airbus, British Aerospace and Casa of Spain.

An important German personality, Herr Franz Joseph of the supervisory board, with Strauss, was named chairman the management including executives from all associated industries. This organisation has proved its efficiency on the world market.

For the European Jet Fighter, it is essentia that nationalistic misunderstanding or rivalries over leadership of the project should be set aside. A corporate legal sructure, along the lines of Airbus Industrie, should be seriously considered both for the arepolnae and maybe aso for the engine, as the right way of carrying the project forward.

The author, now retired, was chairman of Sud-Aviation and Aerospatiale between 1968 and 1973 and administrator of Airbus Industrie between 1970 and 1975.

Letters to the Editor

Compulsory liquidation

From the Director General, Institute of Directors.

Sir,—Your editorial of December 12 leaps too quickly to welcome the Insolvency Bill's proposal to disqualify automatically the directors of any company which is compulsorily wound-up.

The proposal is flawed because it makes such businessmen guilty until proved innocent. Automatic disqualification would even apply to boards which themselves sought the assistance of the court to supervise a liquidation. Many professional bodies have pointed out that compulsory liquidation does not necessarily involve culpability, blameworthiness or attempts to defraud creditors. As the Law Society pointed out, legislation designed to catch the guilty is preferable to that which, at considerable expense in court and professional time, seeks to excuse the innocent.

Were this proposal to be enacted, venture capital companies and accountancy and consulting firms would undoubtedly and understandably be most reluctant to lend the skills of their staff to the boards of many company start-ups or turn-round situations.

The need is to get the balance right. To bring to justice those who deliberately or recklessly abuse limited liability; yet to enlarge rather than restrict the scope for new business and more jobs. This balance has been recognised elsewhere in the Bill by the introduction, as this Institute requested, of a standard of the reasonable and diligent director against which to measure fault and personal liability for wrongful trading.

The Department of Trade and Industry has, for whatever reason, proved unable to make effective use of its existing powers to prosecute trading with intent to defraud creditors under the 1948 Companies Act, or under the 1976 Insolvency Act to seek disqualification of those unfit to serve on company boards. Rather than give up the struggle and cast its burden on to the court to sort out, it should amend its Bill. It should require that liquidators and receivers must in every liquidation, voluntary or compulsory, report to the Secretary of State whether or not directors acted in a manner which was, in the circumstances, in the best interests of the company's creditors.

The Bill must also implement the Cork committee's proposals to reduce the preferred status in liquidations of government departments. Small business creditors receive little after local authority rates, corporation, capital and development land taxes, PAYE and national insurance contributions have swallowed up available funds.

Many compulsory liquidations are triggered by the Inland Revenue or other government departments. To make compulsory liquidation still more penal while failing to rectify the overwhelming imbalance against small trade creditors in an insolvency is unfair and unreasonable.

(Sir) John Hoskyns,
116, Pall Mall, SW1.

Largest savings content

From the Chairman, Crossley & Partners

Sir,—The report (December 5) of Mr Phillip Chappell's speech at the Institute for Fiscal Studies Conference where he calls for an end to tax relief on pension schemes on the basis that this is the biggest factor in complicating and distorting the tax system appears to be a somewhat naive statement.

It might be true that the distortion arises if, in addition to existing reliefs in the United Kingdom, as in the United States, a large number of allowances can be made by the individual as a charge against his income before tax, thus facilitating the accretion of personal wealth. In the UK, however, this is not the case and most employees rely heavily, rightly or wrongly, on the element of corporate sponsorship and the underlying tax advantages of the company pension plan as the only way to provide for their orderly and economic retirement.

In addition Mr Chappell also claims that doing away with tax advantages would not increase employers' costs. It should be clearly stated that this is not the case as, if all reliefs were even phased out, the increased cost for companies providing final pay based pensions would increase by up to 10 per cent of payroll.

At the same conference it was stated that the present system is a system of tax deferral rather than relief. This is a correct statement and the system creates the largest single saving content in the British economy. Many pension scheme commitments and insurance company contracts have been developed on the assumption of continuation of the current reliefs and any significant change would either involve extremely complex transitional arrangements or serious financial difficulties.

If the reliefs were terminated the fabric of employment costs would totally change and, as we have seen in the United States, the result would be a progressive termination by companies of defined benefit plans and the adoption of money purchase, book reserve financing or even no advance provision at all.

It is time that those in the UK who hold themselves out to be experts on these matters looked outside these shores to gain the advantage of other countries' experience. The problems we face today in the UK are not new.

Martin J. Crossley,
39, Queen Anne Street, W.1.

Closer EEC trade

From Mr P. Oppenheim, MP

Sir,—The complaints (December 12) of M Jacques Dondoux, director general of the French state telecommunications administration, that Britain is dragging its heels on proposals for closer EEC co-operation on telecommunications ring rather hollow.

Whereas Britain is virtually the only European country to have liberalised its telecommunications market and opened it up to overseas suppliers, France remains obdurate in not allowing British manufacturers to sell equipment in its home market. There are currently several items of French telecommunications equipment either in the process of approval or which recently received approval, yet there is no reciprocal access to the French market for British manufacturers.

Perhaps M Dondoux's whingeing would be a little more convincing if he would attempt to practise what he preaches.

Phillip Oppenheim.
House of Commons, SW1

Charismatic leaders

From Mr J. Pilditch

Sir,—Speaking of military leaders Christopher Lorenz (December 7) says, rightly, that we can learn from their ability to state objectives clearly and communicate them ... and from their concern for morale and training. What he didn't ask is why they bother to be good at these things.

I suggest it is because they know that, in the end, everything depends on the people you've got.

If, as he claimed, they can take the consent of their troops for granted, they'd hardly bother.

I submit military leaders can assume loyalty and consent because they take endless pains to establish and nourish them.

There is probably no institution or organisation on earth that spends more time caring about its people than our armed forces. Caring about the people they lead is a dominant concern. It is bred into all ranks.

If that is so, and it is, then the analogy of the charismatic military leader as "the great man on a white horse" and any implication that he is autocratic and authoritarian, is likely to be out-of-date.

Here is the twist: businessmen should look to military leaders not because they are high-handed but because they are hugely aware of the value of their people.

And doesn't it show, by the way, how it is possible to be caring without being weak, the thing macho managers fear most.

The essential point about modern business, certainly in Britain, and one mentioned by Mr Lorenz, is that "business leaders continually have to create and sustain consensus."

If that is what carrying people with you is called, then who knows more about it then the armed forces? I don't mean ruling by fear; that is not how they do it, but by shared values, high training, high morale, clear communications and so forth.

Christopher Lorenz is right about something else, too. He says that businesses are very complex, facing not one "enemy" but several, all the time.

That very complexity makes it impossible to manage from a distant peak. The modern manager simply has to select good people, train them well, inspire them with purpose, give them clear aims and plenty of responsibility and keep them informed. In every one of those departments, the forces are miles more advanced than almost all industry.

If the question is: can businessmen learn from the military, the answer is "yes", but they already do! It is hard to think of a single maxim from any business school that hasn't obvious military antecedents. The trouble, I have tried to say, is that we don't always draw the right conclusion.

We all have much to learn from the military, but being "macho" isn't what they teach.

James Pilditch.
62, Cadogan Square, SW1.

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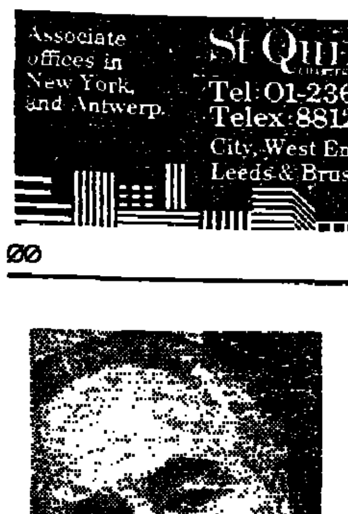

Shimon Peres

Religious party row threatens Israeli coalition

By Our Tel Aviv Correspondent

A LONG-SIMMERING dispute between two small Israeli religious parties came to a head yesterday and threatened to bring down the coalition led by Mr Shimon Peres.

The right-wing Likud bloc, one of the two main pillars in the multi-party unity government, made clear it was standing firmly behind Shas, an ultra-orthodox faction which left the Cabinet at the weekend.

Mr Yitzak Shamir, the Likud leader and Foreign Minister, threatened to resign. He said that Mr Peres, the Prime Minister, had until Thursday to satisfy Shas's demand that it have control over most religious affairs.

Mr Peres's Labour Party has so far sided with the more moderate National Religious Party (NRP), which is demanding that it should run religious affairs.

Mr Shamir stalked out of an emergency Cabinet session and gruffly told reporters: "This Government is in danger ... the situation is very grave."

He charged that Labour had made no serious attempt to settle the Shas-NRP dispute, which has been rumbling since the Government took office three months ago.

Mr Shamir initially gave Labour only 24 hours to come up with a solution to the dispute, but he said later that the Likud ministers would put off a decision until tomorrow.

It took Mr Peres almost two months of tireless negotiating to form his Cabinet following last July's inconclusive general election. Likud's resignation from the coalition would almost certainly bring on another long political crisis.

The Prime Minister, facing important decisions on the inflation-plagued economy and Israeli military withdrawal from Lebanon, said the religious parties' dispute was not important enough to topple a government.

"We have no right to push aside all the burning issues confronting us, and begin a new political game," he said.

He listed three priority issues that would be affected by a new outbreak of coalition haggling – negotiations on more U.S. aid, withdrawal from Lebanon and the continuation of the current freeze on wages and prices.

The stalled talks with Beirut on withdrawing Israeli forces from Lebanon go into holiday recess tomorrow.

Thatcher faces fresh revolt by Tory MPs

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE UK Government faces revolts from its own members of parliament on both the Civil Aviation Bill and proposals for public housing investment, following one of the roughest maulings given to senior ministers seen in the House of Commons for some time.

First, Tory opponents of the development of Stansted in Essex as London's third international airport succeeded, for the second week running, in blocking discussion of the Bill in a House of Commons' committee, leading to an unprecedented political and constitutional stalemate.

This has forced Mr Nicholas Ridley, the Transport Secretary, to reconsider the future of the Bill, on which he will make a full Commons statement probably today.

Second, on the floor of the Commons, Mr Patrick Jenkin, the Environment Secretary, was savaged for an hour by Tory MPs as well as opposition members over his proposals on local authority investment, which, the critics say, will squeeze housing. The Speaker of the Commons (chairman), unusually, agreed to an emergency debate for today, and last night a sizeable number of Tory MPs were thought likely to rebel on the issue.

Moreover, in the House of Lords, there was the unprecedented step of a Conservative peer being disciplined by his party. Lord Alport, a minister in the Macmillan administration in the late 1950s, had warned last week that, if the Prime Minister continued with her present policies, she would destroy the Conservative Party, and he had then voted for a Labour motion attacking the Government.

These events, together, have unsettled Tory leaders at Westminster, just when they hoped that the water was calming ahead of Christmas.

The revolts also raised questions about the long-term political future of both Mr Jenkin and Mr Ridley, especially the latter, who has been strongly criticised by Tory MPs, not only for his airports policy but also over the privatisation of British Airways and proposed liberalisation of bus services.

The Civil Aviation Bill proposes limits on aircraft movements in and out of Heathrow, which rebel Tories argue must lead to a large expansion of Stansted, though this is denied by the Government.

The Government has three main options. The first, believed to be favoured by Mr Ridley, is to seek another attempt to start discussion in the committee. The second is to promise to amend the Bill, and the third, sought by Labour and by the outright Tory critics, is for the whole Bill to be withdrawn. Suggestions that the rebels might be removed from the committee were last night regarded as improbable.

Even if discussion of the Bill goes ahead, it is now clear that there is a majority in the House in favour of significant amendments to the Bill, in particular the raising of the limit of 275,000 movements a year in and out of Heathrow suggested by Mr Ridley.

The discussions in the committee yesterday morning were conducted in a highly charged atmosphere, with Tory whips scurrying to and fro, trying to persuade the rebels to toe the line. Later, Mr Peter Snape, Labour's Aviation spokesman, called for the Government to withdraw the Bill, in view of its unprecedented failure to carry the sittings motion twice running.

Tebbit firm on comeback plans

BY OUR POLITICAL EDITOR IN LONDON

MR NORMAN Tebbit, Britain's Trade and Industry (DTI) Secretary, said yesterday that he would return to his office early in the new year. He was speaking in his first television interviews since being seriously injured in the IRA bombing two months ago.

His aim in the interviews was to signal his return to active political life after five operations and a slow recovery and to knock down recent speculation that he might be moved in an early ministerial reshuffle.

Mr Tebbit said he had "a lot more to do" at the DTI and he knew of no proposition at the moment to move him.

There has been authoritative speculation at Westminster that, depending on his medical condition, Mr Tebbit might become chairman of the Conservative Party.

It has been suggested that he might be replaced at the DTI by Mr George Younger, the Scottish Secretary, whose job would be taken by Mr Malcolm Rifkind, now a Foreign Office Minister of State.

The present party chairman, Mr John Gummer, would then move to the Foreign Office as Minister for Europe.

Such a switch no longer seems imminent in view of Mr Tebbit's desire to stay on at the DTI, which is strongly backed by Mrs Margaret Thatcher, the Prime Minister.

Mr Tebbit, however, left open the possibility during yesterday's interviews of moving to Conservative Central Office at a later date when he said that the chairmanship was "an interesting job that someone will have to pick up and take us through to the next election."

Even before the bombing at Brighton, on the the south coast of England, colleagues had thought that Mr Tebbit might become chairman towards the end of 1985.

During his interviews Mr Tebbit stressed that his main priority for the coming year was the regulation of the City of London and the financial services industry.

U.S. quits dairy pricing body

BY IVO DAWNAY IN BRUSSELS

THE U.S. yesterday fired its first shot in its struggle to liberalise world farm trade markets by withdrawing from the International Dairy Arrangement (IDA), which fixes minimum prices for milk products.

The decision, formally reported to the General Agreement on Tariffs and Trade (Gatt) secretariat in Geneva, follows closely on a declaration from Mr John Block, the U.S. Agriculture Secretary, that the Reagan Administration wants a greater role for market forces in farm trade.

It also demonstrates U.S. anger at an exemption, reluctantly agreed in Gatt, for substantial EEC sales of 18-month-old butter to the Soviet Union at prices well below agreed minima. This allowed the Community to export about 200,000 tonnes of butter at an average value of $850 a tonne, against the $1,300 IDA price.

While the U.S. represents only a small proportion of the world dairy trade, possibly under 5 per cent, its decision could have a significant impact on prices because substantial U.S. stocks remain in store.

More than 50 per cent of the world trade in dairy produce is supplied by the EEC, with most of the remainder coming from New Zealand.

A substantial decrease in U.S. prices could, however, force down the level of return achieved by its trading rivals. This in turn could have serious ramifications for the EEC in increased costs incurred through export subsidies paid to reduce Community surpluses.

New Zealand yesterday expressed its "deep concern" at the U.S. move but reaffirmed its commitment to the IDA. It also intends to urge the U.S. not to depress prices by lowering its charges for butter and skimmed milk.

"We have no option but to take a pragmatic approach to recent events within the IDA, both to protect our dairy interests and to limit the damage to the world dairy market," the New Zealand Farm Ministry said.

The U.S. withdrawal, however, signals the beginning of a more competitive approach to agricultural trade which is already expected to become markedly more aggressive in 1985 when the U.S. plans to cut supports to farmers' incomes. This is expected to trigger cheaper prices for many products on world markets.

Meanwhile, confusion continues to surround the response of EEC member states to a demand from the European Commission for payment of the "superlevy" on excess milk production.

It now seems that only the West Germans have raised the levy from farmers, despite a Community requirement that the money should be paid by the weekend. The West Germans, however, say they will withhold payment from Brussels until other countries comply with the rules.

UK takeover warning

BY ALEXANDER NICOLL

THE Takeover Panel, which acts as the referee in British bid battles, yesterday warned companies that they would be subject to swift reprisals if they misled shareholders in offensive or defensive circulars.

"The Panel is concerned that there has been a number of recent takeover circulars which have failed to measure up to adequate standards. These have included inaccurate or misleading statements of comparisons and in particular unsatisfactory graphs and diagrams," it said.

It will now require a correcting circular to be issued within two days of its being alerted about a misleading statement and may also censure publicly the originators of the circular.

The Panel named no culprits. Earlier this month, however, it required the British group C. H. Beazer to re-scale and rebase a graph comparing its earnings record with that of its bid target, Bath & Portland, and in September, both the property developer John Finlan and its target Lincroft Kilgour ran into trouble with the Panel over graphs.

Yesterday's statement said: "Some matters are simply unsuitable for graphic illustration."

Although the Panel itself vets documents before they are sent to shareholders, it said it could not always stop misleading material because "often it is only the other side which has the background information to know whether a particular item is misleading."

U.S. rates fall again

Continued from Page 1

yesterday of upward pressure on domestic interest rates.

The decline in short-term U.S. rates was led by a further marked drop in the Fed funds rate, which fell to 7 per cent in early trading despite the intervention of the Fed to drain reserves through overnight matched sales and closed at 6 per cent compared with 7.95 per cent on Monday.

The fall in the Fed funds rate brought other short-term rates tumbling. The three-month Treasury bill rate closed 16 basis points lower on the day at 7.78 per cent and short-term bank certificate of deposit (CD) rates fell by as much as 25 basis points.

Reflecting the sharp decline in bank funding costs, Bankers Trust and several smaller U.S. banks cut their prime lending rates by half a percentage point to 10.75 per cent, matching the move initiated by Manufacturers Hanover on Monday. The benchmark U.S. bank corporate lending rate is now at its lowest level since August last year.

The White House welcomed the banks' move to a lower prime rate. Mr Larry Speakes, White House spokesman, said, "We are pleased with the drop in the prime rate and we hope it will continue as the President predicted it would."

On Wall Street the precipitous drop in U.S. short-term rates sent bond prices soaring again. At the close, the Treasury long bond was a full point higher at $103\frac{19}{32}$ extending the gains it made on Monday

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	16	61	Dubrovnik	–	–	–	Malaga	F	13	55	Salzburg	S	5	41
Akrotiri	S	17	63	Faro	C	15	59	Malta	C	18	64	Seoul	S	-2	28
Algiers	–	–	–	Florence	F	15	59	Manila	S	30	86	Singapore	F	30	86
Amsterdam	F	6	43	Frankfurt	R	5	41	Miami	C	24	75	Stockholm	C	-2	28
Athens	F	18	64	Funchal	F	17	63	Milan	R	7	45	Strasbourg	R	5	41
Bahrain	S	19	66	Geneva	R	7	45	Moscow	Sn	-8	18	Sydney	S	33	91
Bangkok	S	33	91	Gibraltar	C	14	57	Munich	C	6	43	Taipei	C	19	66
Barcelona	F	14	57	Guernsey	S	7	45	Nairobi	–	–	–	Tangier	F	15	59
Beirut	S	18	64	Helsinki	Sn	-7	19	Naples	F	16	61	Tehran	–	–	–
Belgrade	S	9	48	H. Kong	C	19	66	New Delhi	S	19	66	Tel Aviv	S	20	68
Berlin	C	4	39	Innsbruck	C	4	39	New York	C	16	61	Tenerife	F	20	68
Biarritz	C	10	50	Inverness	S	3	37	Nice	R	10	50	Tokyo	R	8	46
Blackpool	S	6	43	Istanbul	–	–	–	Oporto	S	11	52	Toronto	C	13	55
Bordeaux	S	8	46	Jersey	–	–	–	Oslo	Sn	-3	27	Tunis	–	–	–
Brussels	C	5	41	Jo'burg	F	27	81	Paris	C	5	41	Valencia	F	14	57
Budapest	–	–	–	Las Palmas	F	20	68	Prague	C	2	36	Venice	C	9	48
B. Aires	C	22	72	Lima	S	24	75	Reykjavik	–	–	–	Vienna	C	2	36
Cairo	S	22	72	Lisbon	F	14	57	Rio de J'o	R	33	91	Warsaw	C	-1	30
Cape Town	R	18	64	Locarno	R	7	45	Rome	S	17	63	Zurich	C	3	37
Caracas	C	27	81	London	S	5	41								
Casablanca	C	17	63	Los Angeles	C	15	59								
Copenhagen	R	3	37	Luxembourg	Sn	1	34								
Corfu	C	15	59	Madrid	F	10	50								
Dublin	F	4	39	Majorca	F	17	63								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Beecham buys BAT cosmetics unit

Continued from Page 1

cals side, Mr Ted Bond, finance director, said.

Beecham's shares fell 2p to 373p yesterday while BAT rose 5p to 345p.

The purchase caps Beecham's 20-year strategy of expanding into the perfumes and fragrances sector. Starting with the takeover of Margaret Astor, a middle-range cosmetics house, in West Germany in 1964, Beecham now has a business with annual sales of £400m.

The BAC purchase gives Beecham, in the words of Mr Don McLure, main board director with responsibility for cosmetics, the "critical mass" to market its brands in the main markets of Europe, North America, and the Middle and Far East.

Beecham has over the past five years taken on the manufacture and distribution of BAC's Yardley brands under licence in the U.S., Mexico and Venezuela. That meant it was one of the first companies BAT approached when it put the cosmetics business on the market six months ago.

BAC's difficulties with its Monteil brand in the U.S. explain why Beecham is paying only £125m for annual turnover of £200m. Normally the group would expect the price to match the sales figure, Mr Bond said. At just £5m, the debt Beecham is assuming is also low. Buying a ready-made business means Beecham can avoid the expensive and time-consuming business of new product launches.

The BAC deal is the first big purchase since Mr Ron Halstead became chairman of Beecham five months ago. It further increases the role of the consumer products division – which already accounts for 72 per cent of Beecham's turnover and 53 per cent of profits – at the expense of the hard-pressed pharmaceuticals business.

Sweden serves up aces in world tennis

By John Barrett, recently in Gothenburg

SWEDEN'S devastating Davis Cup victory in Gothenburg this week over the most powerful American team ever fielded underlines the spectacular advance made by this sports-mad Scandinavian country since Bjorn Borg fired the imagination of their tennis youth in the 1970s.

Sweden, with a population of 8.5m and an estimated 400,000 tennis players, now has four men – Mats Wilander, Henrik Sundstrom, Anders Jarryd and Joakim Nystrom – in the world's top ten and a fifth, Stefan Edberg, at No 20. In the 16 years of open tennis only Australia once (1969) and the U.S. five times (1977–81) have had more.

Borg's prodigious achievements led to a doubling in the number of tennis players in Sweden between 1973 and 1976. As a result local authorities throughout the country were forced to build permanent indoor courts. Some were constructed of local timber, others of steel. They even tried putting strong plastic sheeting over a steel frame. The costs which varied from £125,000 to £900,000 ($1.08m) for a three or four-court complex according to size and materials was a one-off charge against the rates, and good design kept running expenses for staff and heat to a minimum.

Consequently there are now 1,400 indoor courts around the country among the 950 tennis clubs, whose 125,000 registered members pay annual fees of about £10 for advance booking rights. Any member of the public can play at any club if the courts are unreserved. Court fees range from £6 at peak hours to £4 in the middle of the day, and in these off-peak hours juniors can often play for nothing. Thus cheap tennis has been made available to the masses in a unique way among European nations.

It is hard to believe that tennis rates only eighth in the list of most popular sports in Sweden until you learn than 2.5m Swedes – over 25 per cent of the population – are involved in one or more recreational activities. One secret of Sweden's success lies in the organisation of sport throughout the 23 administrative districts within the country. Each sport's governing body is mirrored at district level and within the districts each club has similar committees.

This produces a framework for an excellent coaching system – much of it amateur – in each sport. There are only 30 full-time tennis coaches in Sweden with 100 or so trained part-timers, all of whom attend the annual conference where technical and tactical problems are discussed. The strength of the system, however, lies in the amateur coaches in the clubs – 8,000 of them have attended courses in the past decade – who set the very youngest off on the right lines.

Short tennis, a mini-version of the game played with a sponge ball and a plastic paddle, has encouraged five-year-olds to time a moving ball with proper strokes.

A pyramid of competitive events – from club competitions in the districts to vast national tournaments like the Kalle Anka (Donald Duck) event with its 13,000 entries each year in three age groups (between 11 and 15) have provided the pathway for ambitious youngsters to taste success; Borg, Wilander, Sundstrom and Edberg are all past winners.

At the top of the pyramid national junior squads in the 14, 16 and 18 age groups are under the guidance of a top coach who takes them to compete in tournaments and team events throughout Europe and America. Lately, sponsored squads have enabled them to take the post-junior group on extended tours to eke out the meagre £1m that is the entire annual income of the Swedish Tennis Association – a sum that depends upon a grant from the central government (approximately one fifth), from the Swedish championships in Bastad, from TV and radio fees and product testing.

THE LEX COLUMN

Moving target for the TSB

The hard news of a flotation timetable for the Trustee Savings Banks, was blurred yesterday by the fact that the impact day could be anywhere in the interval from autumn 1985 to the following spring. However late the TSB group's actual arrival on the market, the banks and their advisers will need all the time they are given to solve an exceedingly complicated set of problems. The tangles arise from the fact that nobody owns the company that is being sold.

Had the TSB been owned by the Government – or even by its depositors – the sale would have been a reasonably simple affair. One obvious way to value the new company would be on some multiple of its earnings. Yet because the issue proceeds will go straight to work in the TSB balance sheet, instead of paying off previous shareholders, whatever multiple was first thought of must turn out to be too low.

Even supposing that the extra capital has no more earnings power in the TSB's hands than its present equity, and should be accorded a similar multiple, the flotation price will have to rise in order to reflect this. That means in turn that a surplus of capital will be sucked into the issue, however it is priced. In their nightmares, the TSB's promoters may see this as an endlessly explosive process – with no price being high enough to cool it off.

Fortunately, though, the reaction does settle down eventually. At a given prospective multiple, it should be possible to work out just how much extra capital the issue must raise in order to get the valuation numbers right. Thus, on a p/e of about 6 – perhaps a little unambitious – the TSB issue would have to pull in something like £1bn for the after market to avoid the worst excesses.

It could be just as much of a popular draw as British Telecom. As a banking investment, its low gearing, low funding costs and freedom from Latin American banana skins will make it attractive to the institutions, if depositors give them a look in. The last thing either need fear, after the initial cash injection, is any kind of rights issue.

Beecham/BAT

So far as BAT's market rating is concerned, it does not seem to matter whether the company is buying or selling: at present the market clearly enjoys the constant stream of takeovers and disposals. Buying Hambro Life over the weekend was worth 27p on the BAT share price, and yesterday's sale of BAT's obviously peripheral cosmetics business for £125m encouraged a further 5p rise to 345p. It is a sobering thought that the shares have more than doubled since the acquisition of Eagle Star was sewn up just under a year ago. Anyone who had predicted at that point that BAT would now be yielding a full point less than the market would have got a rather dusty reception.

Yesterday's deal is, for all that, of rather more significance to the purchaser, Beecham. Looking for good cash flow activities – preferably with strong brands – to support its hungry pharmaceutical side, Beecham must have been high on BAT's list of possible buyers. If losses in the U.S. part of the business can be stemmed in 1985, perhaps an optimistic assumption in view of the sticky American retailing scene, there could be UK-taxable profits of something near £20m from the newly acquired range. Profitable UK sales of Yardley and Lentheric will help, moreover, to reduce Beecham's £65m ACT backlog. Beecham's marginal rate of corporation tax is only 10 per cent, so the effective multiple on which it has dealt is rather less than it looks.

The main question for Beecham must be whether the inherent growth in cosmetics will measure up to the 15 or 20 per cent it is seeking. Down 2p to 373p yesterday, the shares gave no scent of the market's thinking.

Markets

Yesterday's public borrowing figures would have left Mr Micawber looking very miserable indeed. The latest money supply figures had led the markets to expect a large gap between income and expenditure in November, but the provisional PSBR figure of £1.84bn was no less dismal for that.

There is – as the Treasury still insists – a chance that the cumulative total can be clawed back to the targeted £8.5bn by the end of the financial year. Neither Telecom nor the VAT on imports has yet contributed to published revenues, while the Treasury can count on whopping corporation tax receipts early in 1985. But yesterday's figures did nothing to dispel the impression that expenditure is running at too high a level and that sizeable tax concessions in the next budget would have to be predicated on fairly optimistic oil revenue assumptions.

And forecasting oil revenues is rather an inexact science just at present. It was principally concern about oil prices which sent sterling tumbling to new lows against the dollar yesterday, and only a steady stream of good news from the U.S. prevented gilt-edged from following the currency down. If today's U.S. GNP figure bears out the impression of yesterday's personal income and housing start statistics, the New York bond market could end up celebrating a very merry Christmas.

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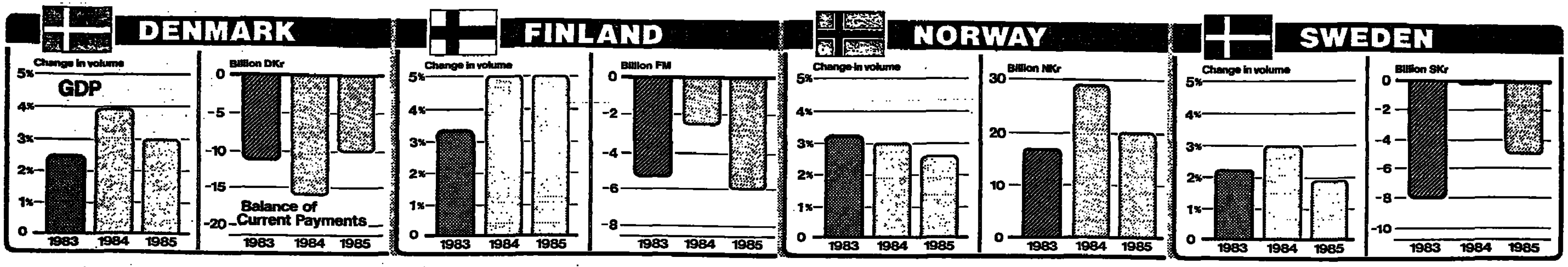
SECTION IV
FINANCIAL TIMES SURVEY



1984 and 1985 figures are forecast.

Nordic Banking
FINANCE AND INVESTMENT

A surge of economic activity and a rediscovered sense of confidence have led to a new-found vigour in Nordic financial markets

Strides towards better economic balance

By Kevin Done, Nordic Correspondent in Stockholm

FOR TWO years the Nordic economies have staged a strong recovery. Growth in Sweden, Finland, Denmark and Norway has clearly outpaced the rest of Europe and the region has made significant steps towards attaining a better economic balance.

The open Nordic economies, which depend on exports for between a third (Finland and Sweden) and half (Norway) of their gross national product have benefited greatly from the upturn in world trade and have won back significant shares of international markets.

Growth in the Nordic region is expected to reach as much as 3.5 per cent this year following an expansion of 2.7 per cent in 1983, while average growth in Europe is likely to be lagging behind at 2.1-2.3 per cent.

Problems remain. Inflation in the region is still running above levels in competing countries, and fast rising labour costs are a constant threat to the Scandinavian countries' international competitiveness.

The benefits gained by Sweden's dramatic devaluations of 10 per cent in 1981 and 16 per cent in 1982 are being successfully eroded, and Norway in spite of the unrivalled strength of its current account, has carried out two small disguised devaluations this year to try to avoid a deterioration of its mainland industries' ability to compete on foreign markets.

Since July of this year the value of the Norwegian krone has decreased by some 4.5 per cent.

In spite of the progress made in 1983 and 1984 both Denmark and Sweden are still burdened by large central government deficits and the resulting structural problems which result appear certain to plague economic policy-making in both countries for many years to come. Both countries face severe problems in reducing the mountain of foreign debt run up in recent years, although in the case of Sweden, at least, a temporary respite has been reached with a return to balance this year on the current account of the balance of payments.

The surge in economic activity in the region and a rediscovered sense of confidence after the setbacks of the late 1970s and early 1980s, have been reflected too in the new-found vigour of Nordic financial markets.

In the case of Sweden in particular, the liberalisation of the markets and the creation of a well-functioning money market have owed much to the pressures created by the need to finance the state deficit while keeping the inflationary impact of state borrowing needs to a minimum.

Earlier most of the financing of the budget deficit in Sweden had taken place through the banks, insurance companies and pension funds, which had to purchase fixed-rate, long-term Government bonds or borrow from the central bank. Mr Kjell-Olof Peldt, Sweden's Social Democratic Finance Minister, admits that "this led to the credit markets growing more and more regulated and less and less efficient."

Concern over the rapid growth in the money supply and the resulting surge in inflation meant the Government was keen to find ways of financing the budget outside the banking system.

Nordic monetary authorities have become increasingly disenchanted with regulation as an efficient means of achieving the aims of monetary policy, and in more turbulent and sophisticated world financial markets, they have realised the limitations on their independence of action.

For many years the policy had been to keep interest rates lower than market levels. The effects on lending growth were supposed to be curbed with the help of direct regulation.

As Norges Bank, the Norwegian central bank, admits in its latest quarterly report, however, "the finance markets have gradually become increasingly developed, and the opportunities for circumvention therefore greater.

"In principle it has been accepted therefore that direct regulation should be avoided or used only pending action to rectify the underlying circumstances which have produced the excess demand for credit. From this year the authorities have opted to gradually reduce the use of direct regulation." With tight money policies aimed at curbing inflation, interest rate levels are high through the region.

As a further element in the programme of financial liberalisation, the Norwegian Government has recently announced that it is to encourage the introduction of a market for bank certificates as well as a market for commercial paper.

At the same time the state will operate with Treasury bills sold at market rates, thus reducing the state's needs to raise money through bonds which carry administered interest rates.

The Government is also tentatively abolishing the obligation for the banks to invest in Government and other priority bonds.

There is still some way to go and there have been several examples of the monetary authorities taking two steps forward and one back, but the wheel of deregulation has been set firmly in motion.

In other respects too the Nordic region has been retreating from its earlier financial isolation. Next year — in the case of Norway — and in 1986 — in the case of Sweden — foreign banks will finally be allowed to established local operations. Entry for foreign banks was ceded by Denmark in the mid-1970s and the first foreign banks opened their doors in Finland in 1982.

The growing financial strength of the Nordic economies has been reflected too in several spectacular events recently in the international capital markets, where Nordic borrowers have long been courted assiduously.

In one recent transaction where Sweden raised $200m through the sale of short-term money market notes at auction it gained terms better even than the rate at which the banks themselves seek to raise deposits in the money markets.

Finland has demonstrated its confidence in its own economic outlook by cancelling all the stand-by credits on the books of its central bank which have been used to protect the country against fluctuations in its reserves and balance of payments.

Its foreign exchange reserves have quadrupled over the last year. According to Mr Matti Vanhalla, a director of the Finnish central bank, "With our reserve and balance of payments situation in general as well as the stable monetary outlook, we feel that this sort of buffer is no longer needed."

Denmark, meanwhile, has followed the example set by Sweden and is busily refinancing its debts at a lower cost. With its cash reserves growing — among several factors the private sector has increased its borrowing — the kingdom is for the moment no longer a large net borrower. This year gross borrowings have been about $3bn, of which some $2bn went to refinance debt at lower cost. Denmark, whose DKr 106bn of foreign debt once appeared to be growing inexorably can currently pick and choose in any market.

Norway, buoyed up by its growing output of oil and gas from the North Sea, is rapidly building itself a very special position in the Nordic financial scene. With a current account surplus, rapidly approaching a level equivalent to 6 per cent of GNP and the strongest foreign exchange reserves position of any industrialised country (measured in relation to import cover), it is on the verge of becoming a substantial capital exporter.

International demand for the Norwegian krone is growing, and a couple of weeks ago the Government was forced to ban the sale of domestic bonds to foreign investors in an attempt to stem unwanted capital inflows. Norway has removed many of its foreign exchange regulations and the Government is increasing efforts to encourage the internationalisation of companies and financial institutions.

Prospects for 1985 in the Nordic region also appear promising, although growth is not expected to repeat the levels of 1984. In a recent published study four of the region's leading banks, Svenska Handelsbanken, Copenhagen Handelsbank, Kansallis-Osake-Pankki and Den Norske Creditbank, foresee an expansion in the Nordic countries' gross domestic product of 2.8 per cent in 1985 compared with 3.7 per cent in 1984 and 2.7 per cent in 1983.

For Scandinavia as a whole 1984-85 must be considered as years of high economic activity in line with the years of 1978 and 1979. The increased activity means that several export sectors are operating close to full capacity, and higher production means that there has been some reduction in the number of people out of work.

The picture varies widely across the region, but unemployment is still seen as one of the foremost economic problems, particularly in Sweden and Norway, which are both facing general elections next year.

Sweden and Norway pour considerable funds into comprehensive job creation programmes and have been able by this means to keep at least the official unemployment figures as low as 3.1 and 4 per cent of the workforce.

Unemployment in Finland is currently running at around 5.5 per cent, while Denmark provides the main source of concern with the number out of work still exceeding 10 per cent of the workforce.

Nordic Banking and Finance 2

Wage blow to the economy

Iceland

KEVIN DONE

ICELAND'S bold attempt to curb its chronic inflation problems has been thrown sharply off course. A series of inflationary wage settlements pushed through after a four-week public sector strike in October have raised fears that the island is heading back into the vicious circle of devaluations, surging prices and inflationary wage deals that marked the island's economy for much of the 1970s and early 1980s.

The pattern was broken in May 1983 when the new Centre-Right coalition Government introduced an ambitious package of austerity measures aimed at restoring stability to the hard-pressed economy, which was plagued by inflation rates that for short periods had exceeded 160 per cent.

Wage indexation was abandoned at a stroke, existing wage settlements were extended for several months, and low nominal wage increases were imposed during 1983 and the first half of 1984.

The currency was devalued by 14.6 per cent, but the Government then made a commitment to pursue a firm exchange rate policy and steps were taken to deregulate financial markets. Most interest rate controls were finally swept away in August this year.

The strategy was highly successful in breaking the inflationary spiral. In the space of 18 months inflation was cut to an annual rate of less than 25 per cent. Inevitably the Government's tough policies also implied certain sacrifices — at least in the short-term—in the form of lower living standards, however, and this autumn Icelanders' patience with the experiment finally snapped.

The Government's anti-inflation fight has coincided with a prolonged deep recession in the Icelandic economy, which has seen gross national product fall by 10 per cent in three years. Icelanders' living standards have fallen by 17-18 per cent in the space of just two years, and public sector workers have been particularly hard hit.

State and local authority employees claimed that the purchasing power of their wages had plummetted by around 25 per cent in two years. They insisted on a renegotiation of their wage contracts, and when the Government stubbornly refused to give way to their claims for increases of around 30 per cent, they began a strike at the beginning of October.

Four weeks later, with the island's foreign trade at a virtual standstill and with sectors of industry starved of raw materials warning of large-scale lay-offs, the Government gave way and agreed to wage settlements giving rises in the region of 25 per cent over the 14 months to the end of December.

The repercussions of the wage settlement have come quickly. With an uncomfortably high deficit on the current account of the balance of payments equivalent to around 5 per cent of Gross National Product, Iceland could ill afford the blow to its international competitiveness dealt by the big jump in labour costs.

The Government's response was to allow the krone immediately to depreciate by the 5 per cent allowed under the terms of its currency basket, but pressures quickly built up for a full-scale devaluation.

Just under three weeks ago the currency was devalued officially by a further 12 per cent. The Government is expected to try to keep fluctuations next year within a band of plus/minus 5 per cent.

It believes that despite the unfavourable wage settlements the bottom of the economic recession has been reached. It expects a small rise of close to 1 per cent in Gross National Product next year, helped by some rise in fish catches.

The prospects for inflation have clearly darkened, however, and instead of an average increase of 13-15 per cent in 1985 compared with 1984 the Government has accepted in its revised budget that an increase of at least 26-28 per cent is likely.

"This is a setback, but it is not something that cannot be overcome," said one senior official in the Finance Ministry.

The Government has not tried to take back the wage increases through higher taxes, but they will rapidly be eaten up by the devaluation and consequent rises in inflation.

The wage contracts recently agreed are supposed to run to the end of 1985. The trade unions can demand a renegotiation during the summer, however, if the purchasing power of wages falls too drastically.

It is not until the next wage round is completed that it will become clear whether Iceland's new bout of inflation is only a temporary setback on the road to a more balanced economy, or whether the fires of inflation have been stoked to a point where drastic Government intervention is again needed.

The four-week public sector strike has already shown that there is a limit to the Government's resolve to stick to its chosen course and the leaders of the coalition will have to work hard if they are to build a new consensus behind their economic strategy before the next wage round.

The problems of this autumn should not obscure the fact, however, that the authorities on Iceland have made significant progress not only in managing the economy, but also in deregulating the island's financial markets. For more than two decades the monetary authorities regulated interest rates on all deposits and loans.

That system has been crumbling gradually since 1976, but the big transition from regulated low interest rates and attempted credit rationing to a system where interest rates are not only positive, but very high even on an international scale, came earlier this year.

In August the deposit money banks were allowed to decide all interest rates, other than those on general savings accounts—which were raised to 17 per cent by the central bank—and rates on rediscountable produce loans and penalty rates.

By late autumn interest rates on common loans were in the range of 25-30 per cent and interest rates on three-month deposits 20-21 per cent.

The issue of regulated interest rates has hardly been permanently removed from the political agenda, however, and if interest rates surge on the wave of sharply rising inflationary expectations, calls for Government intervention will soon return.

Iceland economy

	% Change 1982	1983*	1984†
Gross National Product	−1.5	−5.5	−1.2
Fisheries export production	−14.5	−6.8	5.0
Real disposable household income	2.1	−10.8	−4.1
Cost of living	51.0	84.3	29.5
Balance of goods and services as % of GNP	−10.0	−2.4	−5.2
Unemployment as % of total labour force	0.7	1.01	—

* Provisional. † September forecast

Source: Icelandic National Economic Institute

More restrictive credit policy

Sweden

KEVIN DONE

AFTER enjoying record profits in 1983 helped by falling interest rates Swedish banks have been brought back to earth this year as the financial authorities have pursued restrictive policies aimed at holding back domestic credit demand and restraining inflation.

The earnings of the Swedish banks are strongly affected by the domestic interest rate level. The banks have earlier been forced to place a considerable share of their assets in bonds, which have fixed yields while the costs for funding fluctuate with changes in interest rates.

Money market rates started to rise in the second half of May this year and at the end of June the official discount rate was raised by one percentage point to 9.5 per cent. At the same time the penalty rate for borrowing by the banks from the Riksbank, the Swedish central bank, was raised by two percentage points to 13.5 per cent.

The moves bit hard into the banks' net interest earnings with Skandinaviska Enskilda Banken, the leading Swedish bank, reporting a fall in net interest earnings, for example, of SKr 50m ($6.2m) per month in July and August.

Without any further change in interest rates S-E Banken forecast last month that its operating profits would be about the same or slightly lower than in 1983.

The earnings of PKbanken, the country's third largest commercial bank, have been even more adversely affected by Sweden's restrictive monetary policy and the bank expects a decline of around 10 per cent in operating profits for 1984.

Earlier this year PKbanken, formerly wholly owned by the state, fulfilled a long-expressed desire to launch its shares on the stock market with a new share issue to private investors.

As a result of the issue the state's stake has been reduced to just under 85 per cent and further shares sales to the public have not been ruled out.

One of the chief reasons the PKbanken share sale was sanctioned by Sweden's Social Democratic Government was the state's need to ease the pressure on its own sorely pressed finances. The bloated state budget deficit continues to be a major influence on developments in Sweden's financial markets.

At the same time it is the budget deficit that also ensures that the Swedish financial authorities are forced to follow restrictive credit policies. Lower Swedish interest rates will only be possible as a response to a general fall in world rates led by the U.S.

A recent report from the Riksbank accepted that economic development in Sweden had taken "a turn for the better in several respects. The growth of the Government's budget deficit has been broken and the deficit on current account has been more or less eliminated."

But in the same breath the central bank stressed that "this does not mean that the fundamental conditions for interest policy have changed."

The Riksbank maintains that the long series of years with large deficits on both the Government budget and the current account have generated the combination of high domestic liquidity and massive external debt. "There is a continual risk of destabilising currency outflows. This means that Sweden is still highly vulnerable to the development of the international interest level."

A major factor behind the development of currency flows is Sweden's relative interest level, and the Riksbank justified the last jump in interest rates during the summer on the grounds of the sizeable flow of currency out of the country which followed the rise in international rates.

The bank admitted, however, that the higher interest rates also dovetailed well with the general direction of Government economic policy. Economic activity had strengthened appreciably and "warranted a tighter monetary policy. This must help to subdue incipient inflationary tendencies and create conditions for a further improvement in the balance on current account."

Fears of too sharp a rise in domestic consumption next year which would both fuel inflation and draw in more imports thus worsening the current account, also lay behind the recent package of tax increases imposed by the Government.

A number of specific purchase taxes have been increased—mainly from the beginning of December—on items ranging from petrol and electricity to alcohol, tobacco and foreign charter travel.

The Riksbank appears determined to use its influence to counter any moves by the Government to loosen its grip.

"There must be a further reinforcement of the balance on the current account and a reduction of the Government deficit," it says in its latest quarterly report.

"Increased Government borrowing as a substitute for a tighter interest policy would not acknowledge the continued existence of fundamental imbalances. It is not until a balanced position has been consolidated that there is greater scope for a more independent interest policy."

The strain emanating from the state budget deficit has also been a pressure for reform in the Swedish financial markets. With a turnabout in monetary policy in 1982 the Government began to move towards a much more market-orientated financing method.

The first new ground towards the creation of a functioning money market was broken in 1980 when the banks introduced certificates of deposit, but the pace began to quicken in 1982 with the launch by the state of Treasury bills.

At the end of 1983 the banks began to establish a market for commercial paper, and last year the Government launched Riksobligationer, market rate state bonds to tap the liquidity of the corporate sector at the long end of the market.

The credit market has been revitalised by the new debt instruments that have been introduced, but it has also been encouraged by a number of other deregulation measures.

Bank liquidity requirements have been abolished, bond issue controls have been made less rigorous and bank interest controls have been replaced by a recommendation of the central bank.

Freer credit market as shackles come off

Norway

FAY GJESTER

THIS YEAR has seen a number of significant moves by Norway's Centre Right Coalition Government towards a freer credit market. Many of the controls which have shackled the country's banks and credit institutions since World War Two have been lifted, or earmarked for abolition soon.

On January 1, direct regulation of bank lending, reimposed in summer 1983, was once again revoked — although primary reserve requirements were raised, from the same date, by one percentage point to 5 per cent, in the hope of discouraging a lending surge.

Simultaneously, the bond investment obligation applying to banks and insurance companies was eased. This had required both groups to invest a large share of any increase in their assets in bonds. In January it was cut from 15 per cent to zero for the banks and from 40 per cent to 30 per cent for the insurance companies.

Although the marginal requirement was dropped, in the banks' case, they still had to maintain bond holdings at the end-1983 level. A further relaxation of the rules, from January 1, 1985, will abolish this obligation completely, for the banks, while the insurance companies' marginal requirement will be lowered from 30 per cent to zero.

Another step in the right direction was the abolition, from June 30, of regulations limiting the extent to which finance institutions could guarantee so-called "grey market" loans—that is, loans raised on the unregulated credit market. These rules had been introduced to curb the boom in grey market loans which followed the imposition of direct controls on bank lending. When the latter were lifted, the grey market's share of consumer borrowing immediately began to decline, and the guarantee restrictions were no longer needed.

Direct control of factoring and leasing loans by finance companies was also abolished from mid-year, and replaced by primary reserve requirements—although other kinds of loans by these companies continue to be directly regulated. Their loan totals—excluding factoring and leasing—must not expand during 1984, by over 8 per cent.

From January 1, 1985, "framework guidelines" aimed at regulating bond issues by credit institutions, on behalf of business and industry, will also be abolished.

Banks and insurance companies are not allowed to issue bonds, but moves are afoot to permit banks and finance companies to issue short-term negotiable paper (deposit certificates), and an attempt will be made to establish a market for such paper issued by well-established companies. The finance ministry is also considering the possibility of offering treasury bills at market rates.

After representations by the Norwegian Commercial Banks' Association, the Government agreed—a couple of years ago—to let the banks make kroner loans to the oil sector. This arrangement is now being extended to other foreign customers, although subject to a ceiling for 1985.

The Association also appears to be winning acceptance for its argument that the Bank of Norway should place part of its vast foreign exchange reserves with Norwegian banks, provided that the Norwegians can offer competitive terms.

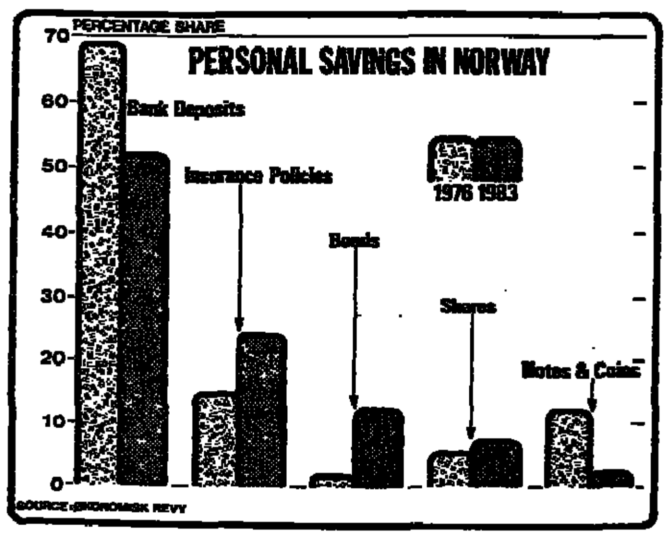
The national budget for 1985, tabled early in October, foresaw a gradual liberalisation, next year, of private sector capital exports. It said that Norwegian companies with foreign currency income would be allowed greater freedom to spend this money abroad. Moreover, Norwegian-based companies, and individuals resident in Norway, would be allowed to buy foreign bonds—up to a certain limit. This was meant to match the freedom which foreigners have had, until recently, to buy Norwegian bonds—up to a limit of NKr 1m ($129,000) per individual investor.

Norway was recently forced to bar foreign purchases of Norwegian bonds, however, because of a worryingly large inflow of capital under just this heading. Between October 1 and November 15 foreigners bought some NKr 3bn worth of Norwegian bonds. They were attracted by the stable krone and the relatively high interest rates prevailing in Norway.

Payments surplus

The Bank of Norway pointed out that Norway with a substantial payments surplus because of its North Sea oil and gas, did not need all this foreign cash.

While much progress has been made in liberalising the credit market there is some way to go yet. Banks and life insurance companies, for instance, may not charge what the market will bear on their loans to customers. They must keep their average interest rates within limits announced periodically by the Minister of Finance.



The minister's last "interest rate declaration," on June 26, specified an average rate of 12.6 per cent per annum for short-term and 12 per cent for long-term loans. This compared with the 12.5 to 13 per cent, which the Bank of Norway was then charging, for short-term funds—since raised to 13-13.5 per cent.

The Government's regulation of bank and life insurance company interest rates keeps the cost of borrowing from these institutions artificially low. At the same time Norway's tax system—which makes all debt on interest deductible—also encourages borrowing.

With these two powerful stimuli to loan demand in operation, the banks are expected to keep their total lending within guidelines set twice yearly by the Government—in the national budget, tabled in October and in the revised national budget, which comes some seven months later.

The virtual impossibility of complying with official lending ceilings is demonstrated by the fact that the Government has so often had to resort to direct regulation of bank lending.

When direct regulation is abolished, as it was in January this year, lending volumes soar. In the first 10 months of this year the increase in lending by the commercial and savings banks totalled NKr 26.4bn — some NKr 5.9bn more than the guidelines allowed.

The increase has occurred despite Government steps to discourage it. Minimum reserve requirements for South Norwegian banks have been raised three times this year — most recently on August 31, from 7 to 10 per cent—while the Bank of Norway has increased its charges for short-term funds, in order to make bank borrowing more costly.

The net effect of these developments has been to squeeze the banks' interest margins. This was reflected in most of their eight month reports, published in October. Fortunately, however, the trend has been largely offset by an improvement in profits on other activities — particularly share trading, reflecting Norway's stock market boom, and currency dealing. Labour costs have risen less than in previous years, following the relatively moderate wage settlement reached last spring.

On the whole, therefore, Norwegian banks can expect a 1984 profitability rate — profits, in relation to total assets—equalling, or only slightly lower than, the excellent results which most of them achieved last year.

Interest rates exposed to economic forces

Finland

LANCE KEYWORTH

THE past twelve months may well be remembered as the year in which the swaddling clothes were finally removed from the Finnish infant money market and it was eventualy exposed to the strange perils of more open economy forces.

The result has been some lusty bawling, but the prognosis seems to be satisfactory. It is perhaps unfortunate that 1984 was not a "normal" year, due to a concomitance of circumstances.

Paradoxically, the surge in confidence in the strength of the Finnmark earlier this year, which was a desired aim of the Bank of Finland's monetary policy, led to a flood of short-term capital imports as Finland's Western exports rose sharply.

This was not the object of the exercise. The Central Bank was keeping money tight at home to contain inflationary pressures during the current economic upswing, indeed mini boom of sorts.

The bulk of the new money inflow was placed in the unregulated financial market where interest rates were around 16-17 per cent. Companies and other corporate bodies made a quick killing by placing their surplus short-term liquidity in the banks' finance companies.

Early in September, the Bank of Finland decided to revise its two main instruments of monetary control, the cash reserve deposit system and the regulation of average lending rates.

The base for calculating the reserve that deposit-taking bank must place in the Bank of Finland had been the Finnmark deposits from the public at regulated (also called administrative) rates plus half the deposits denominated in foreign currency. The base has now been broadened to take in all foreign currency deposits, unregulated money deposits, and from January 1 1985, deposits from companies which, with Bank of Finland's approval, finance their export receivables or imports through loans raised in their own names from foreign financial institutions.

As the cash reserve requirement was kept at 5.6 per cent (upper limit 8 per cent), the base was broadened by about 30 per cent, according to the June figures, which increased the maximum deposit requirement from FM 9.2bn ($1.59bn) to FM 12.2bn.

The immediate increase for the banks was about FM 2bn and this is being collected progressively in October-December. Simultaneously, the Bank eased its regulation of average lending rates. In practical terms, this meant that if a bank's average deposit rate rises by one percentage point, it may raise its average lending rate by 0.3 points.

This applies to funds included in the bank's balance sheet, not the unregulated funds channelled through its finance company.

The joint delegation of the banks met towards the end of October and decided to modify their old cartel agreement of deposit rates, not to abolish it as had been expected earlier.

From May 1, 1985, interest rates on cheque, one to five month deposit and Postgiro accounts will be freed from the inter-bank agreement. The newer agreement on unregulated (also called fiduciary) deposit rates will end with the current year.

This left in force the agreement on all other untaxed deposits, provided that their tax-free status is renewed by law for a further four years until the end of 1989.

The Bank of Finland's convertible currency reserve stood at about FM 18bn at the end of October, four times the total a year earlier. Possibly at least as much again has been blocked by strong central bank intervention during the year in the Forex market. The Bank had no further need of its standby credit arrangement and cancelled it. But it kept its call money market rate high, over 15 per cent.

As the call money rate has come to be used as a sort of reference by the banks for the unregulated money rate, the latter has been hovering around 15 per cent.

These rates compare with the Bank of Finland's base rate, 9.5 per cent, the financial institutions' 8 per cent on 12-month deposits, and average lending rate of 10.5 per cent on advances at regulated rates.

Thus, the liberalisation of short-term money rates has produced lending rates which companies now consider are too expensive for the start of urgently needed new investments. But the central bank, with the inflationary scars of similar though smaller-scale situations of the recent past as a reminder, still refuses to be pressured into precipitate action.

The priority is containing inflation, which is down to about 7 per cent this year, and the aim is 6 per cent in 1985.

Finnish bankers wanted to open interest rates to market forces. Now they have seen what can happen. But the growth of Western exports is expected to slow considerably next year and the massive inflow of short-term funds can be reversed as long as they are locked up in the financial market and not placed in fixed investments.

Barriers come under attack

Denmark

HILARY BARNES

THE MOST intriguing development on the Danish financial scene was not a banking move but the decision by the country's largest insurance company, Hafnia, to invite shareholders to place their shares in a newly-established holding company.

The significance of this move is that while insurance companies cannot, by law, conduct other than insurance business, the holding company is not so restricted. Hafnia has not yet published its plans for the holding company but it is no secret that Hafnia's managing director, P. Villum Hansen, has long-term visions of the establishment of so-called financial supermarkets, to which customers can go to conduct banking, insurance and mortgage business.

There is a fairly rigid compartmentalisation between these three forms of financial business and Hafnia wants to break the barriers down. However, there is considerable resistance to Hafnia's ideas.

The national bank (Central Bank) has expressed its satisfaction with the present situation, a signal which has not gone unnoticed.

The Banks themselves are stand-offish in their attitude too. Mr Tage Andersen, chairman of the Banker's Association and general manager of Danske Bank, said that the current division of labour among the financial sectors works well.

"The division has produced a suitable degree of specialisation. There is expertise in the different areas at a satisfactory high level. If everyone trades in everything, the expertise may be spread too thinly," he said.

He suggested that financial shopping centres might be a better concept than financial supermarkets, where the best possible expertise can be sought out, but each maintaining its specialist features.

Whatever the future holds for the more ambitious plans for bringing together banking, insurance and mortgage credit business under one roof, if not into a single office, the past year has seen a spate of new products launched in co-operation between the insurance companies and the banks or mortgage institutions.

The innovations—insurance-linked to bank service accounts against inability to pay bills in case of sudden disability, insurance for the same reason linked to mortgages, and similar products—are probably more a result of the competitive situation in the financial markets in 1984 than a sign of a lowering of the barriers between the sectors.

Rapid decline

Large profits were made in the financial sector in 1983. They were generated by a rapid decline in yields and a rise in prices, in the bond market between the Autumn of 1982 and the Spring of 1983, when yields fell from around 22 per cent to under 13 per cent.

These movements generated very large capital gains. As the banks report the change in portfolio values between the end of each year as a profit or loss in their accounts, bank profits were formidable.

With a similar effect in the insurance and mortgage businesses, there was a lot of scope for the expansion of financial services in 1984 and fierce competition for market shares.

In 1984, interest rates have risen again slightly, which means that there will be little or no gain in portfolio values (unless bond prices rise significantly between now and the end of the year) in the banks' reports for the 12 months. There may even be banks which find themselves with a bottom line figure in red.

The banks' interim reports, however, indicated that they have succeeded in improving their operating profits quite considerably this year, mainly because the demand for credit was far stronger than in 1983. The heavy provisions for losses, which the banks have made for the past three or four years, will be substantially lower this year, also helping to prevent results from deteriorating too sharply.

Prospects for 1985 point to a less exuberant period for the economy and therefore also for the banks. The Central Bank has this autumn tightened its monetary stance, placing restrictions on bank lending, which will be permitted to increase by about 15 per cent this year, but will fall to an annual rate of about 10 per cent this winter: in the first half of this year bank lending expanded by 18 per cent (over 12 months).

The economy has grown fast, with GDP probably increasing by 4 per cent or more. Industrial investment, in real terms is expected to increase by 25-30 per cent, an unprecedented boom. But most economists expect that the recovery will level out.

Crucial for the development of the economy in 1985 will be the spring collective wage negotiations. The present non-Socialist Government has succeeded in bringing wage inflation down from about 10 per cent a year to 4 to 5 per cent and it is hoping for wage settlements in the spring which will bring the rate of wage increases in 1985-86 down to only 2 per cent. This, however, may be more than the unions are prepared to go along with.

Shake-up of overseas debt management

Foreign Borrowing
PETER MONTAGNON

AN IMPROVED balance of payments outlook coupled with favourable borrowing conditions in world capital markets has allowed Nordic countries to embark on a radically new strategy of foreign debt management this year.

The region's two largest borrowers, Sweden and Denmark, have both begun to concentrate on restructuring their foreign debt to reduce interest charges, while Finland recently announced that its central bank is to cancel $1.5bn in standby credits from international banks.

The credits are no longer needed after a quadrupling of the country's reserves during the past year. Norway, which has not been an active borrower for several years, now has to focus its attention on warding off unwarranted capital inflows.

Taken together these developments have provided a major headache for the international banking community which could once count on the Nordic region to provide rich pickings in the form of lucrative credit and bond business.

Now, at best, the returns on such business are dropping as market conditions tilt towards the borrowers. At worst the prospects of gaining new business have evaporated altogether as, for example, Finland withdraws from the market.

A stark measure of the way in which market conditions have changed over the past year came in November with Sweden's surprise announcement that it was cancelling a $1.2bn floating rate note arranged as recently as January 1983

Thought too high

The National Debt Office in Stockholm simply regards the interest rate (a ¼ per cent margin over the London Interbank Offered Rate for eurodollars) as too high.

Other borrowing operations suggest that Sweden could now borrow at or even below this rate and though the elimination of the ¼ per cent margin might seem trivial it adds up to a lot of money when the country's total debt volume is considered. For the cancelled note the margin alone cost Sweden $3m a year.

To replace the floating rate note Sweden subsequently announced a $700m issue to be sold by tender. The notes bear interest at the London Interbank Bid Rate for Eurodollar deposits which is normally ⅛ points below the more conventional Offered Rate.

This means that Sweden is now able to borrow in international markets at or near the rates at which many of the banks that traditionally lend to the country raise funds for themselves.

For banks, the hope is that some money can be made by trading the floating rate paper in the market, as pure lending margins have been whittled away to almost zero. But for Sweden it obviously makes sense to profit from this new situation in the market and reduce costs.

This year it has made a concerted effort to refinance virtually all its floating rate foreign debt to reduce costs and stretch out maturities. A similar process has been under way in Denmark which has refinanced about $2bn in loans at much finer rates.

Like Sweden, Denmark has found itself in a particularly strong position as its balance of payments and reserves have improved.

In the first 10 months of the year the cash reserves of the central bank and commercial banks rose from DKr 37bn to DKr 40bn. This means that the country's gross borowing needs (apart from refinancings) have shrunk to only about $1bn a year, and next year net borrowing needs could be as low as about $300m.

Attractive offer

This puts Denmark in a position to pick and choose. As it believes that market conditions are unlikely to harden again for borrowers, its policy now is to wait until it receives a really attractive offer. This was one reason behind its decision to prepay a $250m loan last month instead of trying to refinance it on cheaper terms.

Both Denmark and Sweden have, however, stuck to their policy of maintaining stocks of available credit that can be drawn on in times of need.

This lessens their vulnerability to a sudden deterioration in either their balance of payments trends or in market conditions generally.

Finland, by contrast, has gone a step further. It is now so confident of its improved economic situation that it has decided to cancel $1.5bn in standby credit lines altogether.

Indeed, Finland's tight monetary policy is encouraging a spontaneous inflow of funds and the last thing the Government feels it needs is an additional inflow through borrowing which would undermine domestic monetary policy.

Likewise, Norway's problem is increasingly that of warding off unwanted inflows. It recently banned purchases of domestic bonds by foreigners and is looking at ways of expanding international credit and bond lending in Norwegian currency.

Apart from occasional forays into the bond market by the City of Oslo and some oil financings, Norway has long ceased to be an active borrower abroad.

This only leaves Iceland, whose needs are very small anyway. In April it raised a $90m 10 year credit on respectably fine margins of ⅜ per cent over Eurodollar for six years rising to ½ per cent thereafter.

Working at becoming an exporter of currency

Norwegian Krone Lending
KEVIN DONE

"WE DON'T like the idea of the Norwegian krone becoming a Eurocurrency with flows back and fore, but it is probably unavoidable if we are becoming a capital exporter," says Mr Lief Eide, assistant director for credit policy at Norges Bank, the Norwegian central bank.

Foreign investors have woken up this year to the attractions of the Norwegian currency and went on a spree buying up Norwegian domestic bonds during the autumn. The attention was not at all welcome to the Norwegian financial authorities, who are currently preoccupied with plans for transforming Norway into a capital exporter.

Fears that the sudden flow of capital imports would loosen their grip on domestic credit policy forced them last month to impose a ban on the purchase by foreigners of domestic bonds.

In the months up to the ban foreigners had bought an estimated NKr 4.5bn ($515m-644m) of domestic bonds compared with purchases of NKr 100m in the whole of 1983.

The prospects for the Norwegian currency have been transformed by the growing wealth flowing from the North Sea oil and gas wells, which is turning the country into an appreciable capital exporter.

Investors have been attracted by what appears to be a relatively stable currency backed by North Sea oil coupled with interest rates which appear high compared with most continental European countries.

Before the ban investors were nominally restricted to purchases of NKr 1m per investor, but this ceiling appears to have proved little hindrance.

Since the market for domestic bonds—with a maturity of five years they were paying a little over 12 per cent—has been closed to foreign investors, interest has inevitably strengthened in the small and exclusive Norwegian kroner Eurobond market, where borrowers have been able to find capital at well below domestic Norwegian rates.

Norsk Data, the Norwegian computer company and the latest borrower to come to this market, was able to insist on an improvement in the terms of its issue at the last minute, assisted by the ban on domestic bond sales. With a coupon of 10¾ and issued at par plus a quarter the Norsk Data bond has traded well below domestic rates of close to 13 per cent.

Inevitably a two-tier market is growing up with much lower interest rates for Eurokroner issues. The Norwegian authorities are trying to control the market carefully to ensure that it is not flooded with new issues and maintains an unofficial queue system.

The market began as long ago as December 1979 with an issue by the Nordic Investment Bank and for several years developed only spasmodically with issues by borrowers such as the City of Oslo, Norwegian Export Finance, and the World Bank.

Since March this year, however, interest has been picking up among both investors and borrowers with issues by new borrowers such as SAS, the Scandinavian airline, the Republic of Finland and Norsk Data, as well as more established names in the market such as the City of Oslo and the World Bank.

The size of the issues has also been growing from the average level of NKr 100m during the early 1980s to NKr 250m for the latest issues by the World Bank and Norsk Data.

The internationalisation of the currency and the Norwegian financial institutions is a direct result of the growing capital surplus that is being built up as the revenues from North Sea oil production swell the surplus on the current account and the country rapidly pays off its foreign debt.

The current account of the balance of payments has been in surplus since 1980, but this year the surplus has grown dramatically and is expected to exceed NKr 25bn, equivalent to close to 6 per cent of gross national product.

Norway's foreign debt grew rapidly up to 1979 reaching NKr 103.6bn or 43.5 per cent of gross domestic product by the end of that year.

With expanding oil tax revenues the Government will have reduced its net foreign debt virtually to nothing by early next year and at the same time the country's net foreign debt will have been brought down to NKr 70-80bn or 18 per cent of GDP by the end of this year.

One of the most dramatic illustrations of Norway's growing financial strength is the build-up of its foreign exchange reserves, which have jumped this year to around NKr 80bn, equivalent to around six months' cover for the country's import of goods and services.

Reserves sufficient to cover around three months' imports are considered by most central banks to be adequate and both Norges Bank, the Norwegian central banks and the Government now accept that an excess of funds has been built up and that a different investment strategy can be used for placing this surplus.

The build-up of the reserves has reached such a level that Norway now has the highest foreign exchange reserves of any country in the industrialised world, measured against monthly imports.

According to the recent national budget statement the Government has decided "to contemplate placements which are better suited when short-run liquidity considerations are less pressing, in order to ensure high returns on the reserves."

Following pressure from the banking sector, the Government has accepted that Norwegian banks can also be used for placing the "excess" reserves, which will give them an important new source of funding. How this should work in practice has not yet been decided, but the Government has made clear that no subsidies can be involved. "Norwegian banks will be used to the extent that they provide competitive terms," says the Finance Ministry.

The use of the funds will probably be aimed at speeding up the internationalisation of Norwegian industry and financial institutions, however, although the Government has emphasised that profitability must be the sole criterion for foreign projects. "The purpose of establishment abroad must be increased or safer income for the Norwegian parent company and thus for the Norwegian society. This is, from the point of view of the national economy, the only reason."

Aware of its record to date in frittering away part of the country's growing oil wealth on subsidies to keep going unprofitable domestic industries, the Government is laying down clear markers about the criteria for foreign projects. "If a part of the currency reserves is placed on somewhat more long-term conditions, it will be on market terms."

With the currency reserves at such a high level, Norway has found itself in a position to liberalise many of the foreign exchange controls.

Next year the banks will be allowed to give loans abroad for the first time — potentially opening the way for the creation of a Eurokrone market in syndicated loans — up to a ceiling of NKr 5bn (including lending to the oil sector).

The rules for companies holding foreign exchange abroad have been liberalised, formalities governing inward and outward direct investments — with the exception of the shipping industry — have been removed, and rules on the provision of merchandise credits by foreign credit institutions have been relaxed.

All with the aim of encouraging capital exports, foreign exchange regulations for individuals have also been relaxed, with the removal of restrictions on:

- purchase of currency for travel purposes,
- purchase of holiday homes abroad,
- purchase of foreign shares and foreign bonds.

The growing international role of the Norwegian krone and the liberalisation that Norway's stronger financial position has allowed, has brought a rapid expansion for Norway's leading banks.

Den norske Creditbank, for example, Norway's largest commercial bank, now has more than half of its assets in foreign currencies. "It took us 126 years to reach total assets of NKr 18bn," says Mr Leif Terje Loddesol, chief executive, "four years later we have assets of around NKr 74bn with more than half in foreign currencies."

The main reason for DnC's sudden expansion was its £67m takeover earlier this year of the London-based Nordic Bank, in which it had previously held only 25 per cent of the shares with the rest held by three other Nordic banks.

Norway's net external debt

(End year figure Kr bn)

	1973	1979	1982	Estimates 1983*
Central government	0.4	28.6	17.4	6.0
Local government	2.8	6.9	9.5	10.1
Norges Bank	−8.9	−20.9	−48.6	−50.5
State banks	0.8	16.0	18.7	18.1
Commercial and savings banks	0.1	3.3	11.7	12.6
Overseas shipping	7.6	18.8	27.9	31.4
Oil sector	5.2	28.2	43.3	45.5
Other Norwegian sectors	6.2	22.7	18.6	17.2
Total	14.2	103.6	98.5	99.4
Percentage of GDP	12.7	43.4	27.3	22.5

The large increase in net debt is partly due to a revised grouping of sectors.
* Figures for 1983 are mainly based on balance of payments data.
Source: 1973-1982 Credit Market Statistics

Profile: Skandia By David Brown

Pressure on profits

SKANDIA, Sweden's largest insurance company (and one of Europe's top 20), is attempting to maintain the momentum of its international expansion despite having been forced by a combination of heavy competition and unexpected losses to sharply revise its forecast for full-year profits.

In a surprise announcement, Skandia reported a steep drop in its pre-tax earnings this autumn and predicted its full-year profit on the non-life business will plunge from SKr 696m to SKr 180m ($22.3m) for 1984.

Earlier this year, it had forecast profits at "about the same level" as in 1980.

In addition to heavy price competition, Skandia has been hit by a number of heavy claims. Its international business will run up a loss of SKr 25m compared with last year's SKr 230m profit. This is mainly due to a deterioration of its U.S. market, where it is among the top 10 reinsurers and where it suffered large losses as a result of storms and hurricanes, as well as higher liability claims and stricter verdicts in American courts.

In the consumer division, profits are expected to fall by SKr 104m to SKr 10m following a rash of home and car burglaries in Sweden.

Meanwhile, the highly profitable industrial division expects a fall of SKr 214m to SKr 100m in earnings in the midst of heavy premium price competition. It was also hit by a major loss from a warehouse fire in West Germany.

Nonetheless, Skandia is moving ahead at full steam with its international expansion strategy. Recognising the economic and political limitations of the Swedish market in the early 1970s, it moved to emphasise international growth, particularly in reinsurance.

The proportion of income from foreign operations has grown from 40 to 71 per cent over the past two decades and, with the exception of the American market, the international business continues to grow.

For example, in the midst of an upheaval in the City of London, Skandia moved into the financial services field early this year with its acquisition of a 29.9 per cent stake in Quilter Goodison, one of London's 20 largest stockbroking houses.

Meanwhile, the company plays a key role on the Swedish financial scene as the country's largest property holder and the single biggest institutional shareholder with a portfolio valued at about SKr 7bn (or some 3.5 per cent of the total value of listed stocks).

In Sweden, it is required with other insurance companies to invest in low-yield government bonds and housing issues. These soaked up about SKr 4bn last year.

Sweden eventually lifts ban on outsiders

Foreign Banks

KEVIN DONE

DURING THE next 12-18 months both Norway and Sweden are coming in from the cold with decisions to finally open their borders to foreign banking operations.

Sweden's stubborn unwillingness to allow entry to foreign banks — hitherto they have only been able to open representative offices — had become a source of severe embarrassment since both its neighbours Finland and Norway had earlier chosen to fall into line with international banking practice.

Ever eager to score points off its Nordic neighbour, Norway took the chance of its plans for liberalisation to point out earlier this year that Sweden would soon be the only country in Europe "aside from the dictatorships in the East Bloc" still to maintain a ban on foreign banks.

Denmark was the first of the Nordic countries to allow the establishment of foreign banks in the mid-1970s, a move forced on it by its entry into the European Community. To the surprise of its neighbours Finland also liberalised its legislation in 1979, which led to the first foreign banks starting operations in 1983.

Three foreign banks now have subsidiaries in Helsinki, Citibank, Chase Manhattan and Banque Indosuez, which has set up a subsidiary in which Postipankki, the Finnish Post Bank, owns 15 per cent. They may soon be joined by Samuel Montagu. A foreigner may also acquire and hold shares in a Finnish bank—with the permission of the Ministry of Finance—provided that the total amount of shares does not exceed 20 per cent of the bank's equity.

Recent plea

Swedish legislation currently forbids any foreign ownership of Swedish bank shares, and there appear to be no imminent plans for easing this restriction despite a recent plea from leading domestic banks.

As part of their response to the threat of increasing foreign competition three leading Nordic banks, Skandinaviska Enskilda Banken of Sweden, Union Bank of Finland and Bergen Bank of Norway decided earlier this year to enter into a far-reaching co-operation pact under the name "Scandinanvian Banking Partners."

The venture is aimed at giving corporate customers much improved cash management services throughout Scandinavia along with unmatched access to borrowing in the three local currencies. The venture is supposed to be cemented by an exchange of shares between the three banks—S-E Banken, for example, would take a share of up to 10 per cent in Bergen Bank and 6 per cent in Union Bank—but this move is blocked for the moment by restrictive Swedish legislation.

Ironically it is the foreign banks that will soon be able to lay the best claim to offering corporate clients a pan-Nordic banking service,

A total of nine applications to establish foreign banking subsidiaries in Norway had been received by the September 1 deadline set by the Norwegian authorities and a decision on how many licences will be issued should be made around the turn of the year.

The nine applicants are: Chase Manhattan, Citibank, Banque Indosuez, Manufacturers Hanover, Banque Nationale de Paris, Banque Paribas, Samuel Montagu, Svenska Handelsbanken, and in a joint application Wermlandsbanken and Uplandsbanken, two regional Swedish banks.

Banque Nationale de Paris has applied with the Trondheim-based Forretningsbanken and a share of 25 per cent is sought for the Norwegian partner. Banque Indosuez is also seeking to establish a co-operative venture with the Stavanger-based Rogalandsbanken with a 20 per cent share for the Norwegian bank.

The situation is not quite so advanced in Sweden, but during the autumn a special committee of inquiry established by the Government recommended firmly that foreign banks should be allowed into Sweden, too.

The committee laid out a clear timetable which the Government is expected to follow. It suggests that the proposed changes in the banking law should come into force on July 1. The foreign banks would then be given four months in which to lodge their applications with a closing date of November 1 1985. It should be feasible for the foreign banks to start operations around the turn of the year 1985/86.

The committee's report, which is likely to be mirrored fairly closely by the final legislation, includes the following points:

● Foreign banks should establish subsidiaries, not branches. Equity capital will be limited to a maximum of SKr 75m ($9.3m) and a minimum of SKr 25m in the first years of operation.

● Several foreign banks could co-operate to form a jointly-owned consortium bank, but they should not be allowed to take in a Swedish partner. Foreign banks would not be allowed to buy a holding in existing Swedish banks

● In the first phase at least foreign banks will be prohibited from establishing further subsidiaries such as finance companies or brokerage companies

● Foreign banks will have to undertake to provide a "relatively broad range of activities in Sweden" The committee is concerned that foreign banks should not simply cream off lucrative business in their chosen specialities, but should offer a broad range of banking services, including, controversially, retail banking

● Banks will be favoured that show they are ready to train up their own staff rather than poach from existing institutions.

It is still to be shown how desirable the Swedish market will prove for foreign banks, although close to 30 banks already have representative offices in Stockholm. The Swedish authorities expect applications from 15-20 banks and might well enforce some form of quota system in the first round.

Most of the foreign banks interested in the Swedish market hope to acquire better access to top quality corporate clients by establishing subsidiaries and will concentrate on offering specialised wholesale banking services.

Profile: Storebrand-Norden

Keeping it in the family

BY FAY GJESTER

STOREBRAND - NORDEN, Norway's largest insurance group, was formed through the recent merger of the country's two leading concerns in the sector.

An odd aspect of the union was that the two partners could trace their respective histories back to companies formed more than a century ago by members of the same family. Storebrand was founded as a fire insurance firm, in 1847, by a group of businessmen including one Joergen Gjerdrum. Twenty years later, his younger brother Karl Ferdinand started Norden.

Approved in 1982, the Storebrand-Norden link-up took effect last year. The group, thus created, has 30 per cent of Norway's risk insurance market and nearly 20 per cent of its life insurance market.

Gross premium income from non-life policies totalled NKr 5,254m ($676.5m) in 1983, of which NKr 2,325m came from foreign business. The latter figure was 21 per cent up on a year earlier, reflecting the group's acquisition, in 1983, of a U.S. company, Switzerland General Insurance Corporation of New York.

Storebrand-Norden's areas of activity include — as well as life and risk insurance—marine, and offshore insurance, international reinsurance, and finance and investment. Turnover in 1983 reached over NKr 8bn, and total assets at the end of the year stood at NKr 17bn. Share capital was this year increased by NKr 104m to NKr 620m.

The group's half-year report, published in October, said its life insurance activities and finance companies had done well in the period, but that profits on non-life insurance were down in the opening half of 1984.

Nevertheless, group results for the whole of this year, excluding life business, are expected to be above last year's total of NKr 227m.

Premium income in the non-life sector was only 2.5 per cent up at NKr 2.8bn, of which foreign business accounted for 43 per cent. Despite net financial income of NKr 166m, operating profits were halved to NKr 66m, reflecting a significant rise in claims.

Profits on industrial policies fell to NKr 4m, from NKr 45m, and motoring business showed a deficit of NKr 40m, twice as high as in January-June 1983.

The deficit on combined insurance rose to NKr 23m, from NKr 1m. Maritime, transport and credit insurance showed the most marked growth in premium income.

The group's two finance companies, Custos Finans and Norsk Finans, achieved a profit of NKr 51m before bad debt provisions—NKr 29m up on a year earlier.

The life insurance company Storebrand - Nordon Liv increased premium income by 28 per cent to NKr 567m in the half year, while financial income rose by 21 per cent to NKr 410m. Profits after allocations were NKr 287m, compared with NKr 239m.

Advanced level of automation

Electronics

ELAINE WILLIAMS

A HIGH degree of automation is the hallmark of most of the Scandinavian banks, with investment in high technology being necessary to improve efficiency in a very competitive market.

This trend is most strongly pronounced in Sweden, where the ability to introduce a high degree of electronics has been aided by an agreement to standardise, the 14 commercial saving and co-operative banks sharing a common check system.

It has given the country the benefits of cheque truncation for example, where an electronic facsimile of the actual cheque can be transmitted to the bank branch where the cheque would normally have to be physically presented. Britain, in comparison, is a long way from achieving this cheaper system of clearing personal cheques.

Late in 1985, Swedish banks hope to start trials as part of a larger project to establish an on-line clearing system using the bank giro centre. This means that the clearing of cheques will take place at the time of the transaction rather than a few hours or even days later.

Other common systems include the sharing of bank automated teller systems—also a feature in Finland. Last year the Scandinaviska Enskilda Banken, Sweden's largest bank invested SKr 150m for a new generation of automated teller machines.

For 1984 the main development emphasis of the banks has been on a single standard banking card called the köpkort. This will be a cash withdrawal card for use with automated teller machines a debit card with applications in supermarkets and shops and a conventional credit card

Soon bank employees will be issued with the card for the early trials. It may even be valid at petrol stations which are already familiar with card operated pumps.

The köpkort is a concept which is spreading throughout Scandinavia. Denmark was the first country to announce its commitment to such a system. Its Dancard has similar uses to the köpkort. It will be valid at all retail outlets of a planned nationwide network for electronic funds transfer at the point of sale (EFTPOS).

Thorny question

One of the problem which has held up the introduction of similar networks in Europe has been the thorny question of who actually pays for the equipment which must be installed in retail outlets.

Denmark has found a solution. There banks will pay for the cost of the terminals and their installation, while the PKK, the Danish credit card and banking organisation, bears the communications, administration, central computer and marketing costs. Cardholders will not get away entirely free and some charges will be levied.

Norway has chosen to levy a charge of about 10p per transaction on its common card system. This is likely to grow from a small network to a full on-line system next year.

Home banking systems are slow to catch on in most countries, and Scandinavia is no exception. In Sweden more than 90 per cent of all transactions are in cash, which means that there is very little demand for a sophisticated home-banking network.

Finland, by contrast, has dabbled with an electronic banking system. The Union Bank of Finland has a system which is based on a touch tone telephone, and a voice response unit connected to the bank's central computer. When a customer wants to pay a bill or transfer money between accounts, he dials the computer centre and responds to the spoken instruction given by the computer. After a series of security codes the user enters the details of the transaction.

Automation is not the preserve of retail banking, however. Corporate customers are beginning to reap the benefits of technology, too.

On a united front, the Swedish banks are setting up a network called Banknet which will allow corporate customers to be connected into the national banking system.

SE Banken, being the largest commercial bank in Sweden, has a range of corporate services. It has a comprehensive strategy for its corporate customers which includes the provision of electronic services giving investment advice, loan calculations and tax and financial analysis.

The bank introduced a small computer service which provides computer programs which will run on more than 20 makes of microcomputer. This has been offered at a limited number of bank branches but eventually those with a computer will be able to be connected directly into the bank's central system.

Scandinavian stock markets show an increased level of activity

Oslo boom gathers fresh impetus

THE phenomenal boom on Oslo's Stock Exchange has gathered new strength this autumn, after prices weakened briefly in September under the influence of Wall Street.

By October 31, the composite share price index had risen 25 per cent above the end-1983 figure of 190.5 (January 1 1983=100).

Turnover, which quadrupled from NKr 1.7bn ($193m) in 1982 to NKr 7bn in 1983, now seems set to reach about NKr 16bn this year. The volume of new issues is expected to hit NKr 4.5bn—around NKr 1bn up from 1983 and corresponding to more than NKr 1,000 per capita in Norway.

By comparison, the value of new issues by Norwegian quoted companies in 1980 was only NKr 300m, while turnover was only just over NKr 1bn.

Three factors explain the hectic increase in prices and activity over the past couple of years. One is the fairly recent "discovery" of the Norwegian market by foreign investors, attracted by the stable krone and Norway's relative prosperity in a recession-ridden world.

Of equal or even greater importance is the investment strategy of the country's main industrial companies. Most have earned good profits in 1983 and 1984 but are hesitant about investing in new plant and equipment at this stage because of high interest rates and uncertainty about the future.

Instead, many have gone shopping in the stock exchange, buying stakes—sometimes controlling shares—in other companies. 1984 has seen a very high number of mergers and takeovers, with individual deals running into hundreds of millions of kroner.

One of the largest to date—in October—was the NKr 350m acquisition by Norcem, an industrial group with offshore interests, a controlling stake in the ship and rig-owning company Nordenf Jeldske.

Norcem has offered to take all *Nordenf Jeldske's shares, which* would boost the cost of the transaction to around NKr 650m. To help finance the deal, Norcem recently sold its 106,000 shares in the industrial and forest products group Borregaard (market price per share, on November 22, NKr 310). Only about 18 months ago, Borregaard and Norcem were contemplating a merger—a fact which says much about the rapidly changing constellations in Norwegian industry at present.

A third factor which has strongly stimulated interest in the stock exchange—although the effect on actual turnover *has probably been modest*—is the series of concessions to investors introduced since Labour's defeat in the 1981 general elections.

> The current year on the Norwegian bourse has seen a high number of company mergers and acquisitions

This has brought thousands of new, small investors into the market, and Norway's public *has suddenly become share* conscious. The country's popular papers now carry stories about share dealing fortunes made by well-known personalities, while the serious dailies have considerably increased their column inches devoted to stock exchange news and comment.

Successive budgets tabled by Conservative Finance Minister Rolf Presthus have doubled—to NKr 4,000—the annual amount which may be earned, tax-free, on profits from the sale of shares held for a minimum of two-and-a-half years (previous minimum period was five-and-a-half years), and the tax on share profits has been cut to 30 per cent, from 50 per cent previously.

Another tax concession benefits people who invest regularly in unit trust funds. It has led to a substantial growth in these funds, unknown in Norway until just two years ago.

Plans are in hand to set up a central register of share transactions, and when this has been done, investment in all types of shares could well qualify for the tax breaks which now apply only to investment in unit trusts.

Much will depend on whether the present, Conservative-led coalition government is returned to power in next September's elections. If recent polls are to be trusted, this looks unlikely. But the prospect of a Labour victory in 1985 is apparently still too distant, and too uncertain, to dampen investor's spirits.

Fay Gjester

Renaissance of Copenhagen exchange

BOTH *changes in legislation in* 1981 and 1982 and the advent of a Non-Socialist Government in the autumn of 1982 have contributed to the renaissance of the Danish share market and although the share price index is now about 20 per cent lower than last winter's peak, the *greater vigour of the market is* here to stay.

Traditionally the market has consisted of two lists, the official bourse and the so-called after-bourse, now re-dubbed bourse I and II. In 1982, these were supplemented with bourse III, a list for small companies.

The bourse III has attracted 21 companies to date and there are several more preparing an introduction. The downturn in *the market has seemingly not* deterred the smaller companies, probably because they can count on support from local investors *despite the general market* sentiment.

A feature of bourse III is that none of the companies comes from the Copenhagen area, which, industrially, has become one of the country's least dynamic regions. The majority are from Jutland, which is where *the industrial action is taking* place these days.

The introductions on bourse III have all been a success in the sense that the share prices have in all cases risen higher than the introduction price.

Ten new companies have been introduced to bourse I this year, with the issues by Radiometer, one of Denmark's leading companies in medical electronics, and the small but wealthy *computer manufacturer, Dansk Data* Elektronik, among the most successful.

It is expected that when the *year is over,* share issues by the newcomers and by already listed companies will have attracted almost DKr 5bn ($501m) from investors, which is about 25 per cent more than in the entire period from 1971 to 1980, as Danske Bank's investment manager Bjarne Jensen has pointed out.

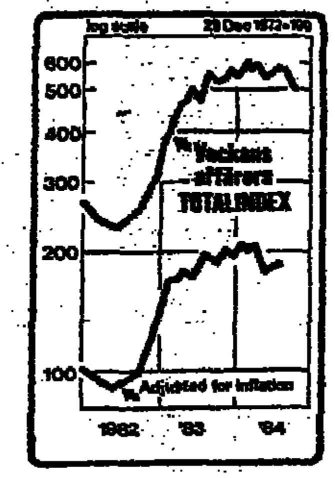
The two important legislative changes behind the recovery were the abolition in 1981 of capital gains tax on shares held for over three years and the exemption of yields on share investments from a special tax on pension funds.

Yields of over 3½ per cent, after inflation, on pension fund investments—including personal investment pension savings *accounts—must pay tax,* but the exemption for shares has led to the establishment of a large number of unit trusts by the banks to channel investments into the share market from customers' pension savings accounts.

The decline in share prices this year is partly cyclical: after rising by 120 per cent in 1983 concurrently with a very strong economic recovery, the market has weakened as the economic recovery has peaked.

Other factors are the rise in yields in the bond market this year in response to a tighter monetary stance by the national bank (Central Bank) and some uneasiness at the failure of the Government to meet its pledge to reduce the current balance of payments deficit, which for the year will be back to DKr 16-18bn, after falling to DKr 10.8bn in 1983, which is where it was when the Government took over.

Hilary Barnes



Signs of a pick up in Stockholm

BY DAVID BROWN

ONLY a year ago, the Stockholm Bourse led the list for growth among the world's top stock exchanges, jumping from one record high to another. By March, however, the tide took a dramatic turn and the index began a gradual but steady decline which was crowned last month by its worst decline to date.

Led by the top industrial issues, the Veckans Affarer index in early November had already dropped by 24 per cent from its February peak. Most *of the decline came in the space* of two weeks.

By sector, forest products issues fell an average 15 per cent this year. Chemicals and engineering listings dropped 8 per cent each, and virtually the only area to show any improvement was mining and metals.

Among the biggest losers have been top industrial companies like SCA (forest products, down 24 per cent). Perstorp (chemicals, down 28 per cent) and Alfa Laval (engineering, down 31 per cent).

However, a number of analysts suggest that the market's decline may be bottoming out. At current prices many shares are starting to become rather good buys.

They also point out that recent developments should be viewed in a broader context: Indeed, the market showed signs of a fledgling recovery towards the end of the month.

Nonetheless, many individuals have sold out to protect their holdings. Institutional investors (the insurance companies, pension funds, etc, which between them control two-thirds of the market) have stayed on the sidelines, brokers say.

The November round of selling was triggered by fears of new limits on margin buying, while factors such as high interest rates have played a key role in the longer-term decline. Government bonds offer a real rate of return of as much as 5 per cent.

The supply of new issues earlier this year—not least the jumbo SKr 3bn ($372m) subordinated loan issued by the investment companies at the heart of the "Wallenberg Empire"—has perhaps overtaken demand. The total level of new paper this year has already exceeded the record SKr 11bn raised in 1983.

Moreover, the Government's 1 per cent turnover tax, divided equally between broker and client, is credited with having set off a spate of net selling by foreigners in the first half of the year.

Foreign buyers were instrumental in the market's initial upturn and now own some 7 per cent of the listed shares. By the end of September, foreign investors had purchased a total SKr 731m in shares, against the SKr 4.74bn at the same time a year earlier.

The controversial wage earner funds, which had perhaps paradoxically been seen by many analysts early this year as a potential source of new capital (they take in SKr 2.2bn per year in levies on corporate taxes), have played very much the same cautious *role as other institutional* investors and have placed little in equities.

More cautious approach being shown by Helsinki investors

MONITORING Finnish companies is still something of an exotic practice for foreign investors, but the rapid internationalisation of the Finnish corporate sector has given the Helsinki stock exchange at unacustomed share of the limelight in the last two years.

Investors have been given an exciting ride. The KOP (Kansallis-Osake-Pankki) general index increased by 37 per cent in 1982 and jumped by a further 63 per cent last year, a surge in stock prices that was reflected throughout the Nordic region.

The general index rose by a further 17 per cent in the first weeks of this year, while the newly created index of non-*restricted shares—those* that can be bought by foreign investors, was showing a gain of 27 per cent by the beginning of June.

During the summer and autumn months these gains have virtually been wiped out, however, and by November *both indexes were showing in*creases of barely 3 per cent.

Activity on the market has surged nevertheless with the turnover in equities in the first eight months alone at FM 1.3bn ($225m) already exceeding the 1983 level of FM 1.2bn. Turnover in 1983 had already shown an increase of just under 120 per cent on the previous year. The market capitalisation of the Helsinki stock exchange more than doubled to FM 29.4bn by the end of June this year from FM 14.1bn 18 months earlier.

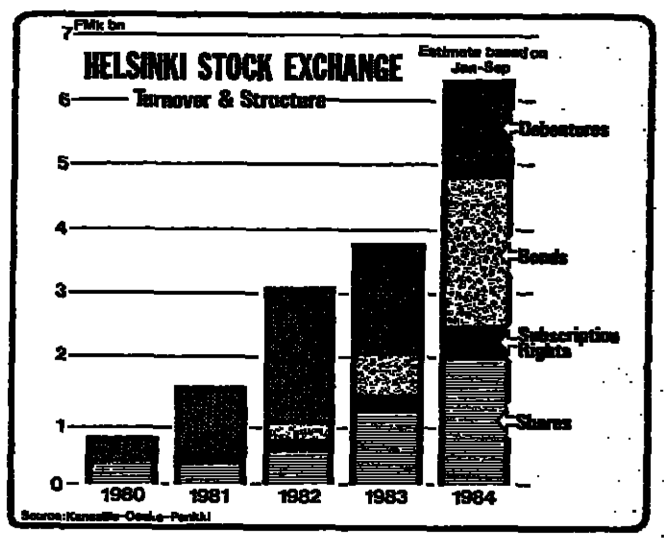
The stock market has become a much more significant source *of new capital for Finnish* companies and financial institutions, which raised FM 2.28bn in new equity in the first six months of 1984 alone compared with FM 1.24bn in the whole of 1983 and FM 923.9m in 1982.

The string of new capital injections—headed early in the year by jumbo issues by the two big banks KOP and Union Bank —coupled with surging share prices and the relative strength of the Finnish currency since the October 1982 devaluation—has given Finnish stocks a new status alongside their foreign rivals.

Finnish companies made the most spectacular gains in this year's FT 500 list, which ranks companies by market capitalisation, with *12 Finnish* concerns making the list compared with seven in the previous year.

KOP jumped 160 places to position 101 closely followed by Union Bank with a rise of 106 places to 181. They were followed by Nokia (198), Wärtsilä (264), Kone (325), Pohjola (331), Rauma Repola (346), Huhtamäki (393), Kymmene-Strömberg (454), Finnish Sugar (455), United Paper Mills (456) and Partek (487).

The interest shown in Finnish shares by foreign investors is a fairly recent phenomenon with one turning point coming in 1982 when Kone, the maker of lifts and materials handling equipment, became the first Finnish company to gain a quota*tion on a foreign exchange* with a listing in Stockholm.



Listing gained

It has since been joined by Nokia and Wärtsilä in Stockholm, while Wärtsilä led the way by becoming the first Finnish company to gain a listing in London earlier this year when it raised some £25m. It has been followed on to the London Stock Exchange by the *Amer group, a diversified manu*facturing and marketing concern.

Finnish Sugar and Pohjola, the country's biggest insurance group, have made private placements abroad, while Instrumentarium gained a listing on the New York over-the-counter market, *when it raised some* FM 106m in new capital.

For all this activity, investors have become more cautious during the second half of the year, and expectations have been dampened. According to Mr Brian Knox of Grieveson Grant, the London brokers and a specialist on the Nordic markets, "investment should be approached warily . . . Finland looks to us like a market for *1986 or 1987* rather than 1985."

The trading of shares in Finnish companies on an international scale is not without problems. The scope of the market is narrow and it has not always been possible to find enough unrestricted shares through the Helsinki market to satisfy the minimum requirements of big foreign institutional investors.

At present foreign ownership in Finnish companies is limited to 20 per cent of the share capital, but the Government is now considering an amendment to this rule. It is likely that it will follow the Swedish pattern of allowing foreign ownership of up to 40 per cent of the capital but only 20 per cent of the votes.

Non-restricted shares have only been quoted separately on the Helsinki stock exchange since the beginning of the year, and investors have often had to pay a hefty premium of up to 30 per cent. Foreign investment in Finnish shares has been rising fast, however, rising from *only FM 60m in 1982—chiefly* buying from Sweden—to FM 500m in 1983 and more than FM 800m in just the first half of 1984.

Kevin Done

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday December 19 1984

Salén in plea to Palme for rescue

By Kevin Done in Stockholm

MR SVEN SALÉN, chairman of Saléninvest, the struggling Swedish shipping group, met Mr Olof Palme, the Swedish Prime Minister, yesterday in a last effort to save the company from financial collapse.

The fate of Sweden's largest shipping group is expected to be decided today, when last week's adjourned board meeting is resumed to consider the outcome of weeks of negotiations among Saléninvest's chief creditors, the state and the banks, on a SKr 1bn ($113m) rescue

At the beginning of November Saléninvest, the world's largest operator of refrigerated cargo vessels, was forced to appeal to its creditors for help in a far-reaching financial reconstruction in the face of huge continuing losses.

The Government has adopted a tough stance, however, refusing to accept write-offs higher than it might expect to lose in a bankruptcy.

Saléninvest's main banks were holding crisis talks yesterday to decide if they were ready to step in and assume the main burden

The banks have loans to Saléninvest totalling around SKr 2.7bn led by Scandinaviska Enskilda Banken, Bank of America, Svenska Handelsbanken, PKbanken and Sparbankernas Bank.

How IBM is erasing the competition

BY LOUISE KEHOE IN SAN FRANCISCO

IBM is causing chaos in the U.S. personal computer industry and among its suppliers. Executives of the company's Entry Level Systems division, which makes personal computers, have revealed that they are aiming for growth of 30 per cent in 1985, twice that of the group as a whole.

IBM's growth plans represent a big threat to competitors and could damage the industry, according to Mr Steven Jobs, chairman of Apple Computer. IBM already holds a close to 40 per cent share of the U.S. market for business-type personal computers.

Mr Jobs and other industry leaders charge that IBM is using unfair tactics in its efforts to increase personal computer sales in the face of a weakening market.

They claim IBM is selling the PC jr, a home computer, below cost. IBM strongly denies the charges.

Mr Jobs maintains, however, that Apple Computer, the second largest U.S. personal computer maker, "could not afford to do what they are doing. We are the lowest cost producer, and we could not sell a comparable product to the dealers for what they are selling them for without losing money," he said.

Competitors are also perturbed by IBM's generosity towards U.S. universities and colleges. This week the company announced a scheme to give $25m in cash and equipment to 12 universities over five years. It has already given over $50m worth of computers to colleges this year, competitors believe.

The college market is widely held to be of strategic importance to personal computer makers hoping to gain the loyalty of future business leaders with student machines.

It is, however, in the business sector of the personal computer market that IBM's big thrust is being made. With the PC AT (for advanced technology) introduced in August, IBM has created a new level of competition among personal computer manufacturers.

None of the group's main competitors has been able to match the performance of the PC AT, which uses a new high performance microprocessor, the Intel 286.

Some relief from the race to compete with IBM however,may be at hand for the makers of IBM-compatible personal computers.

According to computer retailers, the PC AT is in very short supply. Some have also reported technical problems with the hard disk storage unit built into the enhanced version of the personal computer, although others report no such problems.

The Entry Level Systems division told dealers last week that it will not be able to fulfil all orders for the hard-disk version of the PC AT through the first quarter of 1985.

IBM says the problem is due to a shortage of parts – including the disk drive – and higher than anticipated demand.

The shortage of PC ATs could give manufacturers of IBM-compatible personal computers an opportunity to catch up with IBM's new design.

While the shortage may be good news for other personal computer makers it does not bode well for the disk drive industry. IBM is currently believed to have only one source of supply for the high-capacity hard disk units used in the enhanced PC AT – a company called California Memories. IBM is, however, developing its own production facilities for disk drives, according to Mr James Porter, president of Disk/Trend, a Los Altos market research firm.

The group is also known to be considering Japanese disk drive suppliers. Both moves are bad news for U.S. disk drive manufacturers – IBM's purchases of small hard disk drives currently represent about 30 to 40 per cent of the U.S. market, Mr Porter estimates.

According to Intel, which supplies the high performance 286 microprocessor used in the PC AT, IBM-compatible personal computer manufacturers have, *en masse*, slowed their orders for the older 8088 microprocessor used in IBM's basic PC models and placed sample orders for the 286 as they rush to develop machines that compete with the AT.

The shift away from the 8088 has already contributed to a serious order slowdown at Intel, which recently forecast reduced earnings for the current quarter.

IBM has further upset the equilibrium of the U.S. semiconductor market by cancelling all its orders for 64k Ram memory chips, according to industry sources. IBM's orders represent approximately 20 per cent of the $3bn 64k Ram market. Industry experts assume that IBM has switched to using the 256k Ram chips, which are currently available in large quantities only from Japanese manufacturers. They fear that IBM's move may hasten a general decline in sales for U.S. chip makers.

Pioneer may put itself up for sale

By William Hall in New York

PIONEER Corporation, which played a key role in discovering the vast natural gas reserves of the Texas Panhandle has hired a leading New York investment bank to help it to decide whether it should go up for sale.

The Amarillo-based oil and gas exploration group, currently capitalised at $1.1bn, has retained Kidder Peabody to explore financial choices including a possible sale of all or part of its assets.

Pioneer has been regarded as a takeover target for some time and Mr Irwin Jacobs, the Minneapolis financier, recently increased his stake in the company to 9.4 per cent and indicated that he might be interested in seeking full control.

The company earned $137.4m in the first nine months of 1984, more than double the $60.2 earned in the same period of last year. The earnings gain, however, was due primarily to the sale of Pioneer's Westar pipeline unit to the Boston-based Cabot Corporation.

Although the group's recent performance has been hit by the slump in the oil services industry, it has increased its liquidity substantially in recent months and reduced its long-term debt-aside from selling its pipeline the group recently sold a 9.1 per cent stake in Louisiana Land and Exploration back to the company.

Pioneer has been buying its shares in the market in recent months and has been streamlining its operations. It owns about 65m barrels of oil reserves and is understood to have substantial undeveloped acreage and real estate.

Skandia trims forecast

BY OUR NORDIC CORRESPONDENT

SKANDIA, Scandinavia's biggest insurance group, has again been forced to lower its profits forecast for 1984 drastically

U.S. losses have risen by a further SKr 200m ($24.2m) and the group has been forced to increase its claims reserve for the American liability business by SKr 300m to meet the probable increase in future losses.

The group expects to show a profit after tax of only SKr 10m for 1984. Even that tiny profit was made possible only through capital gains of about SKr 200m from securities sales made since last profits forecast in September.

Canberra lifts limit on foreign role in brokers

By Lachlan Drummond in Sydney

THE AUSTRALIAN Government has lifted the foreign shareholdings limit for the stockbroking industry from 15 per cent to 50 per cent. The decision will allow those foreign groups which have established footholds in broking to boost their holdings and it can also be expected to draw additional foreign players into seeking a presence in Australia.

So far four foreign groups have taken the plunge with Morgan Grenfell Australia taking 14.9 per cent of the Sydney firm of Hordern Utz and Bode, London stockbrokers Hoare Govett snaring 14.9 per cent of McIntosh Griffin Hamson, Wardleys from Hong Kong taking the same share of Rivkin, and Prudential Bache gaining 7.9 per cent of Cortis and Carr.

Hill Samuel, soon to be 'Australianised' as Macquarie Bank, has 14.9 per cent of E. L. Davis, while Kleinwort Benson is known to be waiting in the wings as an equity partner for Hattersley and Maxwell.

So far none of the big U.S. securities houses except Bache has formed any equity connections with an Australian broker.

The initial limits on broking holdings, which were in line with the existing foreign investment policy, were spelled out in April shortly after brokers were free to take in outside shareholders. The fixed commission structure was ended at the same time.

Toronto and Amex plan electronic link

By Bernard Simon in Toronto

THE AMERICAN and Toronto stock exchanges are to develop an electronic link between their trading floors, allowing orders in the U.S. or Canada to be routed automatically to the exchange best able to execute them.

A pilot project, limited to about seven securities, is due to be commissioned by next March. Three dozen Canadian-based companies are presently listed on Amex, while 53 U.S. stocks also trade in Toronto.

According to a Toronto exchange official, the initial link is likely to include shares of Dome Petroleum, Echo Bay Mines and Canadian Marconi.

The two exchanges said yesterday that the trading link, which is subject to regulatory approval in both countries, "aims to enhance liquidity and to broaden the list of Canadian and U.S. issues available for trading through either exchange."

Canadian shares have at times accounted for more than a third of total trading volumes on the Amex, and volumes frequently exceed those in Toronto.

Toronto is negotiating similar arrangements with other North American markets and an announcement is likely in early 1985.

Steady growth at U.S. retailer

By Terry Byland in New York

A SUCCESSFUL third-quarter at Great Atlantic and Pacific Tea, the seventh largest U.S. supermarket chain, which is controlled by Tengelmann of West Germany, saw profits maintained at operating levels despite the costs of new store openings, acquisitions and special marketing projects.

Sales jumped by 13 per cent to $1.36bn in the third quarter. Income before taxes and special items increased from $13m to $31.2m. Net earnings at $26.7m, or 71 cents a share, almost trebled.

Einaudi set to break even

BY ALAN FRIEDMAN IN MILAN

EINAUDI, the troubled Italian publisher of high quality works of literature and art, will break even this year after suffering huge losses in 1983. The Turin-based company, which was put in the hands of government-appointed receivers last January, is also expected to emerge from receivership in 1985, according to Dr Giuseppe Rossotto, the commissioner who is managing Einaudi.

When the receivers moved in last January Einaudi had accumulated losses (since 1979) of L29bn ($15.2m), of which L14bn had been lost in 1983.

Under the Italian law on *Amministrazione Straordinaria*, a form of receivership, the L29bn of losses were this year consolidated into the publisher's debt, bringing total indebtedness to its present level of L73bn. All debt servicing was suspended last January.

Einaudi, a family publishing firm founded in 1933, saw its 1984 turnover drop to L34bn, against L42bn last year.

The company none the less managed to publish 90 new titles and reprint 278 books this year.

Dr Rossotto said he thinks Einaudi can emerge from receivership next year, which would be a rapid recovery.

Rhône buys control of Brown Disc

BY DAVID MARSH IN PARIS

RHÔNE-POULENC, the French state-owned chemicals group, has reinforced its position in information technology by buying control of Brown Disc, a specialised U.S. floppy disk manufacturer.

Rhône-Poulenc has bought a 51 per cent stake in the company from its previous owner, the electronics group Dysan, and will increase its share to 80 per cent in the next few months.

Brown Disc, based in Colorado Springs, has been operating for three years and expects to turn over $45m next year, based on production of floppy disks for microcomputers.

Rhône-Poulenc will also buy from Dysan the 45 per cent it does not already own in the French company Dypy, specialising in rigid and floppy disks. Financial details for the deals were not disclosed.

INTL. COMPANIES & FINANCE

WHY THE PRICE WATERHOUSE/DELOITTE MERGER FAILED

Accountants get wrong answer

BY ALISON HOGAN IN LONDON

THE ABRUPT termination of merger talks between chartered accountants Price Waterhouse and *Deloitte, Haskins & Sells*, announced yesterday, surprised the accountancy profession as much as the original news that they planned a merger.

About 4,000 partners in the two firms worldwide completed a secret ballot last Thursday, after 15 weeks of campaigning on the part of key partners. That included a series of meetings with all staff and the distribution of a 250-page prospectus outlining the proposals and comprehensive details of the firms' practices and markets both nationally and internationally.

Serious reservations had been expressed by partners at the time of the announcement in August. The general feeling within the accountancy profession, however, was that having allowed the talks to progress so far partners would vote to support the strategy of their management.

"I am *extremely surprised* the management allowed it to happen. In a professional organisation an *event like* this is quite undesirable," said Mr Michael Blackburn, senior partner of Touche Ross UK.

"It is quite an extraordinary turn of events that the partners did not deliver the support," said Mr Don Hanson, senior partner of Arthur Andersen UK.

Rumours of mergers have been rife in the U.S. for the last year as the big eight accountancy firms have battled in an increasingly competitive and aggressive marketplace. Fee income between the first and eighth largest firms varies much more than in the UK.

Deloittes, holding seventh place in the U.S., seemed a particularly strong candidate for a merger, but few predicted that Price Waterhouse would be the partner.

Price Waterhouse has a carefully cultivated image of quality and *aloofness with an impressive blue* chip client list. It has an efficient managment structure and is generally thought to generate more profits per partner than Deloittes.

In the UK Deloittes is the third largest firm of accountants, just ahead of Price Waterhouse. With a much smaller fee income differential between the largest UK firms, the merger appeared to make little sense.

The merged UK practice would have had a fee income, on 1983 figures of over £138m ($162.84m) compared with the £74.3m *income of* Peat Marwick Mitchell, the largest practice.

In the U.S. the combined practice would have just beaten Arthur Andersen into first place by U.S.$16m with fee income of U.S.$923m.

The two firms' competitors have expressed relief that the period of uncertainty is over. They admit that the prospect of a merger forced them usefully to reappraise their strategy, but are happy that they *can proceed* at a more measured pace.

Akzo still wants U.S. acquisition

By Laura Raun in Amsterdam

THE FAILURE of Akzo, the Dutch chemicals group, to snare the chemicals division of Beatrice Foods is a setback for its well-known search for a *U.S. acquisition.*

Akzo has confirmed that it was in the bidding against ICL, which *last week announced* that it was buying Beatrice's worldwide chemical activities for $750m. The Arnhem-based chemicals concern, however, is continuing its efforts to find a suitable U.S. partner

Olivetti seeks quotations in Brussels and Zurich

BY ALAN FRIEDMAN IN MILAN

OLIVETTI, Italy's leading data processing equipment company, is to seek stock exchange listings in Brussels and Zurich early in the new year, but the Ivrea-based group has postponed plans for a Wall Street quotation (and share issue) until late next year or early 1986.

Apart from Olivetti's quota*tion on the Milan bourse, where* its total market capitalisation stood yesterday at L2,762bn ($1.45bn), the company's shares are already listed in Paris, Frankfurt and Geneva. The strategy now is to achieve a *broad spread of share trading* in continental Europe during 1985 and then to seek simultaneous quotes in New York and London by early *1986.*

The Wall Street quotation, which could also involve an issue of between U.S.$50m and $100m in new shares, was originally scheduled for this year. Last April Olivetti said it was postponing the issue until 1985 in view of "uncertainty on the American stockmarket and the restrictive time limits for the fulfilment of technical requirements."

Return to black forecast by VW

By John Davies in Frankfurt

VOLKSWAGEN, the West German motor vehicle group, will report a profit this year. It has made considerable headway in *dealing with* deep-rooted problems which caused losses totalling DM 515m ($167m) in the previous two years.

At the same time, VW has voiced concern about the unsettled state of the West German car market, where orders are suffering from the *controversy about* stricter emission controls. On the other hand, VW sees further good prospects in the U.S.

The turnaround to a profit for 1984, which VW so far is reluctant to estimate, is a notable success for Dr Carl Hahn, who took over as chief executive in 1982 just as the car group was plunging *deeper into trouble.*

Even so, VW says that the profit, while a major step ahead, is still not satisfactory.

There has been considerable speculation that VW may be able to resume paying a dividend after omitting a payout for two years in succession. But VW has declined to comment on this.

The company, which is 20 per cent owned by the Federal Government and 20 per cent owned by the state government of *Lower Saxony*, last paid a dividend of DM 5 per share on its 1981 results. It made a group loss of DM 30m in 1982 and DM 215m last year.

This year has been greatly helped by the strength of the U.S. dollar, which has boosted U.S. sales and earnings in D-Marks terms. It has also gained from intensive rationalisation measures and much improved export sales.

Its Latin American operations, as well as its Triumph Adler office equipment subsidiary, will again report losses. *However*, it has considerably reduced its loss in Brazil, where it has carried out major restructuring.

VW expects group worldwide sales to rise 12 per cent to about DM 45bn this year, despite disruption to output during the West German metal industry strike in May and June.

Sales by its *Audi subsidiary* are expected to show a 9 per cent increase to about DM 9bn.

The group expects to deliver about 2.16m VW and Audi models to customers worldwide this year, 2.6 per cent more than last year.

Deliveries in West Germany will approach last year's level at 722,000, *while* deliveries in European export markets will rise 2.7 per cent to a record 625,000.

In the U.S. sales are up a hefty 17.5 per cent to 250,000.

Aga's control of Uddeholm rises over 50%

By Kevin Done, Nordic Correspondent

AGA, the Swedish industrial group, has strengthened its grip on Uddeholm, the tooling, steel and hydro-power group with the acquisition of further shares worth around SKr 39m ($4.41m).

Aga said yesterday that it now controls directly, or indirectly, more than half of the votes in Uddeholm, which will be consolidated in AGA group financial statements from December 31.

Last year Aga had a turnover of SKr 5.3bn and a workforce of some 11,300. Uddeholm expects a group sales of around SKr 2.4bn this year and has a workforce of 2,700.

INTL. COMPANIES & FINANCE

David Dodwell on Hong Kong's new Banking Commissioner

Fell takes on troubleshooter role

MR ROBERT FELL, who, at the age of 63, has just been appointed Hong Kong's Banking Commissioner, seems an improbable troubleshooter. But that is the mantle he has been asked to wear in the British Colony's fast changing financial services industry.

He was poached in October, 1981 from the London Stock Exchange, where he had been chief executive for five years; he has spent the last three years as Hong Kong's Commissioner for Securities and Commodities Trading, improving the credibility of the regulatory role, and preparing the ground for major reforms in the local securities industry.

His move to head the Banking Commission—with an almost identical brief—follows the resignation of Mr Colin Martin, who had been Banking Commissioner since 1971. There has over the past year or so been mounting criticism of the Commission, as scandals linked with the collapse of deposit taking companies like Dollar Credit, and that of Hang Lung Bank in October, 1983, have undermined confidence over its effectiveness in monitoring the territory's banking sector.

"If the Hong Kong Government want me to do it, why not?" Mr Fell asks: "Banking Commission or Securities Commission, they are all part of the regulatory scene." Mr Fell, a career civil servant, has an unhurried fireside manner enhanced by an unpolished Cumberland accent. This is not, perhaps, the usual stuff of which troubleshooters are made, nor is it a role he has sought. When he was appointed Hong Kong's Securities Commissioner in 1981, he was convinced he would be "shopminding" while the Colonial Government found a permanent man for the job: "I will be in Hong Kong for six months," he said at the time.

His starting point for reforms at the Banking Commission will be a secret Bank of England report prepared in April this year by a team from its banking supervision department headed by Mr Brian Gent. After an investigation into the Hang Lung collapse, the team complained that the Banking Commission was not adequately protecting bank depositors, partly because it was preoccupied with technical breaches of the banking ordinance and failed to make wider judgments about banks and their obligations.

"With or without the Bank of England report, the Hang Lung Bank collapse was a watershed," Mr Fell notes: "The Government had to pick up the tab, because in a modern economy you can't just walk away from a bank failure.

"Banks are in a privileged position, and because of that have to act in a particular way. The authorities have the right to know more, and a laissez-faire attitude no longer works.

"The report is no more than a starting point," he cautions: "Time has already moved on. We have to decide what is possible in Hong Kong, and what is within our resources. This is not the City of London, and the banking commission is not the Bank of England, so there are constraints on us."

Mr Fell is backed up by Mr Richard Farrant, the newly-appointed adviser loaned to the Commission for two years from the Bank of England's supervision department — and Mr Fell aims to have a policy statement ready for ong Kong's Executive Council by the end of January. This will lay down a timetable for reforms to be tackled in 1985.

One of the highest priorities will be to "move closer to auditors," Mr Fell suggests. Bank auditors stand in future to have a responsibility to provide early warning signals to the Commission where a client is getting into any kind of difficulty, Mr Fell comments. "They have a duty to us as guardians of the public and the public purse."

Mr Robert Fell

Local bankers seem confident he can bring changes where predecessors have failed. This is partly because of the foundations he has laid for change in the securities industry. The unification of the Territory's four jealously-competitive stock exchanges wil take place in 1985, as will the establishment of a futures exchange. The 1985 development, most important of all, however, will be the introduction of more rigorous disclosure rules for public companies.

Mr Fell is expected to succeed in part because he appears as a man with no career to chase, and with an authority rooted outside the Hong Kong's civil service with its "incestuous" reputation. He has earned a reputation as an independent mover whose only interest is in the creation of a better system: "As regulators, we are trying to make the market clean for the benefit of the operators themselves — whether they are in the stock market or the banking community—and if we manage that, we will automatically protect savers and their deposits," he says.

"There have been no particular signs in the past that the lack of disclosure here has been a hindrance to the flow of money. There is, nevertheless, a feling that the market would be a better market with greater disclosure."

He makes light of the fact that he has no professional banking experience — partly because of a conviction that the regulator's job is similar, whatever part of the financial sector he is regulating, partly because there is an accelerating trend towards the creation of "a single financial market," and, no doubt, also because he is underpinned by 160 experienced staff, and a high-flying adviser from the Bank of England.

Mr Farrant, who is 39, only recently returned to Threadneedle Street after putting the Isle of Man's banking industry—shaken to its foundations by the collapse almost three years ago of the Savings and Investment Bank—back on its feet.

Yamaha shows first-half improvement

By Our Tokyo Staff

YAMAHA MOTOR, the world's second largest manufacturer of motorcycles, swung back into pre-tax profits of Y1bn in the half year to October 30, from the previous first half loss of Y13.9bn and the company posted a net loss of just Y0.9bn, compared with a deficit of Y14bn.

Domestic sales of motorcycles dropped by 7 per cent to Y37.7bn, having been affected by inventory adjustments at domestic dealers. Meanwhile, motorcycle exports centring on large models to western countries advanced by 11.7 per cent to Y44.6bn. Sales of out-board engines and three-wheel cars, mainly to the U.S. market, fared well.

For the full year to April 1985, Yamaha projects full-year motorcycle sales of 1.55m, up 19 per cent, with domestic sales of 650,000 units and exports of 900,000 units. Sales are projected at Y380bn, up 12 per cent, full-year pre-tax profits of Y6bn, and net profits of Y1bn.

Support for Japanese tax move

BY YOKO SHIBATA IN TOKYO

A RESEARCH commission of Japan's ruling Liberall Democratic Party which is considering the country's tax system has decided to back the imposition of a witholding tax on income accruing from the transfer of zero-coupon bonds issued by foreign corporations from next April.

Zero-coupon bonds have been extremely popular in Japan because the capital gains from sales of such bonds before maturity are tax free.

The LDP's Tax Research Commission and the Ministry of Finance (MoF) have also agreed on the need to impose a 20 per cent witholding tax on interest and vidend earnings on foreign bonds and securities as from the start of the next fiscal year.

Japanese corporations and individual investors bought foreign bonds and stocks worth some Y3,120bn ($12.6bn) in the year to March 1984.

The MoF's plans to impose such a tax are likely to provoke strong criticisms from both Japanese corporations and the U.S., as it will run counter to the government's basic posture of deregulating and internationalising the country's financial and capital transactions.

Zero-coupon bonds are used as an effective means of getting around the government's tightened taxation on interest and dividend earnings. Sales of zero-coupon bonds were suspended in March 1982 by the MoF in a bid to halt the massive capital outflow from Japan which was a major contributing factor to the yen's weakness.

Sales of zero-coupon bonds on the domestic market were not allowed to resume until February 1983. Despite restrictions imposed on sales—held to only one third of the total amount issued with each securities house limited to marketing not more than 10 per cent — zero-bonds are still attractive for wealthy investors. Sales topped $100m in July this year.

However, there are critics of the way the tax system treats such bonds, which are seen as a hot bed of tax evasion.

Bell Group takes profit on Elders

By Lachlan Drummond in Sydney

A WEEK after threatening to take over the company, Mr Robert Holmes à Court yesterday made a profitable exit from Elders IXL, grossing around A$6m (US$5m) in capital profits and dividends from a stake of 5.5 per cent built up in the brewing finance and rural services group in the past three months.

His Bell Group's 13.4m shares were sold to clients of Hill Samuel Australia, with South Australian Brewing Holdings emerging with 8.5m shares bought at $A3.40 a share to take its holding from just over 1 per cent to 4.7 per cent.

SA Brewing is 22 per cent owned by Elders following its takeover of Carlton and United Breweries this year. and the purchase by the South Australian brewer is said to leave Elders executives satisfied that they have insulated themselves from the danger of takeover by securing friendly hands for more than 50 per cent.

MacMillan Bloedel reorganisation takes time in coming to fruition

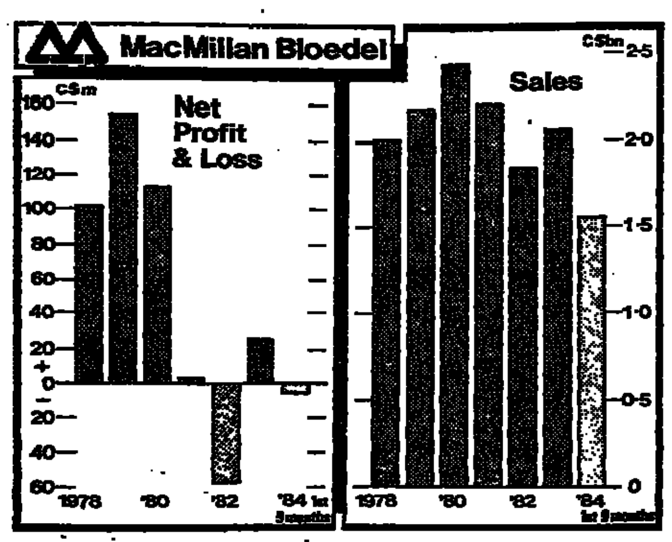
BY BERNARD SIMON, RECENTLY IN VANCOUVER

IT IS TAKING an uncomfortably long time for MacMillan Bloedel, Canada's largest forest products company, to reap the full benefits of a three-year drive to slash costs, modernise its plants and reorganise its corporate structure.

The company posted a meagre C$7.5m (US$5.7m) profit in the three months to September 30, a result little more unimpressive than the earnings of C$0.6m a year earlier. Sales, on the other hand, bounced up by 21.3 per cent to C$603m (US$457m). Prospects for next year are uncertain. Mr Raymond Smith, MB's president, cautions: "1985 is a wait-and-see year—and that might be the optimistic view."

Despite realising C$400m from the disposal of assets (including its Vancouver head office building) and cutting overheads by C$150m a year, MB's balance sheet is still burdened by C$48m of interest bearing debt.

Mr Smith, a professional trumpet player for a time before he joined MB in 1957, says that the main plank of the company's financial strategy "is still to get that debt to manageable levels." Until then, a string of capital projects—each costing C$30-40m—has been delayed. The company raised almost C$50m from an issue of common shares in June 1983, and some analysts think another infusion of capital may be on the cards.



Operations span a wide range of forest products

MB's operations span a wide range of forest products, including logs, pulp, newsprint, building materials and packaging. Recent measures to improve profitability have centred on a shift of the product mix away from low-value commodities to specialised manufactured items. According to Mr Smith, the aim is to achieve "greater influence over our destiny than simply accepting the results of housing starts performance and hoping the highs more than offset the lows."

Mr John Duncanson, an analyst at McLeod, Young, Weir, the Toronto stockbrokers, estimates that containerboard and packaging will rise to 25 per cent of MB's sales in 1985, from 19 per cent four years ago, while the contributions of lumber and pulp will slide from 32 per cent and 15 per cent respectively to 28 per cent and 10 per cent.

Typical of the high-value items which the company wants to sell in greater quantities is Parallam, a structural product made from long strands of wood and a waterproof adhesive. The ingredients are pressed into a continuous rectangular beam which can be cut to any length to suit customers' needs.

MB is nearing the end of a C$1.2bn investment plan to adjust its plants to these new demands while bringing down unit costs.

The capacity of several paper machines has been raised, and modifications made to produce newsprint suitable for quality colour reproduction. Output of thermo-mechanical pulp is rising to replace higher-cost chemical pulp. A new sawmill at Chemainus, on Vancouver Island, due to be commissioned later this month, will turn out two-thirds of the volumes of the mill it is replacing, employing fewer than one-quarter the number of workers.

Such signs of progress have so far been overshadowed, however, by a number of serious setbacks. Depressed lumber prices are a major drag on all North American timber growers. Despite their eagerness to sell more processed products, British Columbia producers are having to ship record volumes of raw logs, mainly to Japan and China.

Over-capacity has recently reversed a rise in pulp prices, and Mr Smith expects a similar development in the newsprint market in 1985.

In addition, MacMillan Bloedel has problems of its own. The British Columbia forest industry is divided into two distinct regions, inland and coastal. MB has the misfortune to be based on the coast (including offshore islands), where rugged and remote terrain coupled with a scattered variety of tree species and sizes raise logging costs to double those of inland forests.

British Columbia as a whole has maintained its 18 per cent share of the U.S. lumber market, but the proportion supplied by inland producers has risen at the expense of MB and other coastal companies. To make matters worse, the market share of Eastern Canadian producers has trebled in the past 15 years.

Mr Smith dismisses suggestions that MB should expand into the hinterland, saying: "I'd rather deal with what we have and make that work." For instance, the company is trying to capitalise on vast holdings of valuable red cedar by launching a campaign to encourage greater use of cedar for home building and decoration, as a replacement for diminishing supplies of U.S. redwood. MB is also examining the use of low-cost cedar chips for pulping.

High labour costs and endemic industrial unrest have further weakened British Columbia's forest companies. Strikes or lock-outs have disrupted the industry during five of the past eight labour contract negotiatitons. A 10-week stoppage earlier this year pushed MB into a C$17.5m loss over January to March.

In a bid to deaken the trade unions' bargaining power, the Province's 14 major pulp and paper companies have asked the authorities to allow negtoiations between union branches and individual employers to replace the present system of industry-wide bargaining.

MB has lowered its dependence on British Columbia by establishing—and recently expanding—a large facility at Pine Hill, Alabama. Pine Hill produces lumber, plywood and packaging materials. The C$230m expansion has raised its annual capacity to 600,000 tons of linerboard and corrugated paper a year, equal to 5 per cent of total U.S. capacity. Pine Hill may also be designated to produce the new Parallam beams.

MB strengthened its European packaging operations last year by merging them into a joint venture with Jefferson Smurfit, of Ireland, and the Swedish group Svenska Cellulosa. According to Mr Smith: "Fifty per cent of the new entity is worth more than 100 per cent of the old."

Hopes for upturn in profits centred on lumber prices

Hopes for a possible upturn in profits next year are centred on higher lumber and newsprint prices. Mr Duncanson estimates that if MacMillan Bloedel follows the Eastern Canadian producers' intention of raising newsprint prices next April, its earnings will move up by 75 cents a share. Each US$10 rise in lumber prices will, on his figures, raise income by another 24 cents a share. Despite Mr Smith's caution, several analysts are optimistic that with the bulk of its investment plan completed, MB will make substantial progress towards reducing its debt next year.

UK COMPANY NEWS

Trident's £13m in year of further consolidation

Trident Television pushed pre-tax profits up from £10.29m to £12.84m in what the directors describe as "a year of further consolidation."

The result has been accompanied by a boost in the dividend. A final payment of 5.8p, against 4p, lifts the total to 7.5p, an *increase of 36 per cent over last* year's 5.5p. Earnings per share rose by 6.3p to 16.5p.

Gaming activities contributed more at £6.49m, against £5.45m. The Clermont and Victoria casinos experienced increased levels of business in the summer following capital investments on redecoration and improvements.

Also, the new Connoisseur opened in May at the Royal Garden Hotel, Kensington, and made a "promising contribution" and business has "steadily increased." Construction of the Gloucester Sporting Club at the *Gloucester Hotel, Kensington, to* replace the Village, is well advanced

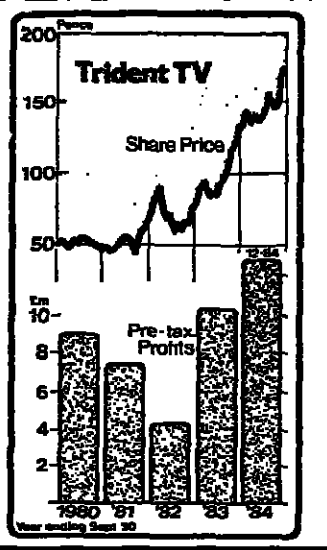
A long-term lease has been entered into with Yorkshire Television for Trident's studios. Net rental income for these, the *Tyne Tees studios, and leased* plant and equipment increased from £1.7m to £2.4m.

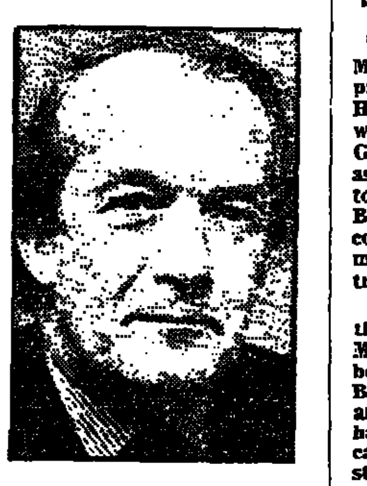
Net interest income rose fivefold to £1.5m, reflecting disposals and a stronger cash flow from operations, the directors state.

Group turnover for the 12 months ending September 1984 was down slightly at £29.63m *(£30.63m) but trading* profits were higher at £6.64m (£6.09m).

Income from associates (Yorkshire Television and Tyne Tees Television) amounted to £2.2m (£2m). Total investment income and interest received came to £4.05m (*£2.19m*).

The tax charge was £4.6m (£5.24m). There was an extraordinary credit of £3.91m (debit *£314,000*), which took account of profit on sale of associates £4.43m, subsidiary disposals £0.56m (loss £0.37m), property sales £1.51m, rationalisation costs £0.9m, related tax £2.83m (credit £0.05m), and release of deferred tax £1.14m.





Mr Gwyn Ward Thomas, chairman of Trident Television

● comment

Now that Trident Television has disposed of all of its peripheral interests, the management's hands are more free to wring *the best returns from the gaming* clubs. Not that these are inadequate—a 20 per cent increase in gaming profits and a 45 per cent hike for the final dividend were enough to lift the "A" shares 9p to 176p, where the *price is supported by a more* than twice covered 6.3 per cent yield. Yet Trident's casinos are attracting less of the punters' cash than might be expected from their estimated 19 per cent share of London's gambling tables. The new Connoisseur still has more to go for, while the Gloucester Sporting Club will enhance Trident's presence *at the lower end of the market* when it opens in February, although it is unlikely to make a major profit this year. The £29.5m cash pile—almost 60p per share—will not be overlooked by potential predators. But having *just cleaned up its corporate* structure, defensive diversifications are not Trident's style, and the focus will be on the core activities for some time yet. Around £15m pre-tax looks in reach for the current year, *which puts the shares on a fairly* valued prospective multiple of 9.2 after a 40 per cent tax charge.

Hollingbery share sale raises £30m

Mr Michael Hollingbery raised £30m gro.. yesterday when **5.27m Woolworth Holdings** shares were placed on his behalf at a price of 569½p per share.

The stake represented all but 490,000 of the Woolworth shares the Hollingbery and trusts received earlier this year when Woolworth acquired Comet, the electrical retailer headed by Mr Hollingbery. The sale followed the recent death of Mr Hollingbery's mother and was made in the light of the tax consequences of her death.

The placing was handled equally by Rowe & Pitman, Woolworth's brokers, and James Capel.

Substantial increases in Royal London's bonus rates

Royal London Mutual Insurance Socety is making substantial increases as from January 1 1985 in hte rates of special final bonus applicable to maturity or death claims in respect of both its ordinary branch and industrial branch contracts.

These bonus rates vary with the duration of the contract. On *ordinary branch contracts* the new scale per £1,000 of sum assured ranges frfom £280 for entry year 1975 to £1,350 for entry year 1960, compared with the old scale of £160 to £1,160. On the industrial branch, the scale per *£1,000* sum assured ranges from £240 for entry year *1975 to £890 for entry year 1960.*

The company is also improving the vesting bonus on its old style individual retirement annuity policies, so that pensions vesting in January 1985 will be 5 per cent higher than those vesting this month.

However, from January 1 the interim interest addition to the new style current personal pension policies will be cut from 12 per cent to 11 per cent per annum compound. Interest additions on these policies are expected to vary in line with medium to long-term trends in interest rates.

Bestobell appoints recovery specialist

By Alexander Nicoll

Mr John Dowling, who presided over a turnround at Henlys until the garage group was taken over by a Hawley Group/British Car Auctions associate earlier this year, is to become chief executive of Bestobell, the engineering components group which makes valves, seals and control instruments.

The appointment follows the departure last month of Mr Donald Spencer following boardroom concern over Bestobell's financial performance. The company's profits have been falling partly because of losses on two power station contracts in Australia.

***Mr Dowling, 62, has a reputation as a recovery specialist.* He was chief executive of Aberdare Holdings and Charrington Industrial Holdings before Henlys.**

Mr Sandy Marshall, 59-year-old chairman of Bestobell, said Mr Dowling was the right man for this point in the company's cycle. Although Bestobell was not a candidate for a full-scale turnround, there was scope for recovery in some of its operations, especially in the Southern hemisphere, he said.

Lower profits for J. & H. B. Jackson

FOR THE year ending September 30 1984 pre-tax profit of J. & H. B. Jackson fell *from £3.58m to £2.67m,* due mainly to a substantially lower surplus from the sale of listed investments of £884,000 compared with £1.81m last time.

This Coventry-based metal merchant, forger and engineer, is nevertheless increasing the final dividend from 0.95p to 1p net, making 1.75p for the year, against 1.7p.

On turnover ahead at £30.74m (£23.29m) the group's trading profit was little changed at £1.79m against £1.77m. Tax took a lower £756,000 (£851,000), *and there were extraordinar* debits of £15,000 (£113,000).

Net earnings per 5p share were stated as 7.4p compared with 11.1p.

Michael Cassell on a major property group's potential

Taking stock in an era of change

THIS WEEK'S better-than-expected results from Stock Conversion and Investment Trust, one of the UK's biggest and most respected property groups, has added another upwards twist to a share price which has barely paused for breath in the past month.

At last night's close, share in the group formed over 30 years ago by Mr Robert Clark and Mr Joe Levy, stood at 430p, their highest level ever. In four weeks, they have risen by over 16 per cent in value—around eight times more than the average increase achieved in the property sector.

Such excitement is not normally associated with Stock Conversion, universally regarded as one of the most predictable and conservative companies in a section of the market which has more than its fair share of high-fliers.

But the recent death of Mr Robert Clark, the chairman, has raised many questions and more than a few expectations when it comes to considering the company's future.

The two co-founders, both widely acknowledged as doyens of the property industry, acquired control of a "shell" operation called Stock Conversion in 1951 and almost at once succeeded on a scale and in a semi-secretive style which generated an air of legend that still persists.

In 15 years, the company developed actively around the country and pushed up shareholders' funds from £158,000 to £45.5m. During that period, there was only one call on shareholders, involving a £5m loan stock issue in 1967.

Today, Stock Conversion has a market capitalisation of over £220m—making it the sixth largest quoted UK property group—and a mixed investment portfolio valued at round £200m.

Through a network of subsidiary and associated companies, its interests are centred primarily on London and Glasgow but recent development activity has been limited. One of the biggest projects in the pipeline involves the redevelopment of White City Stadium, the purchase of which it completed a few weeks ago.

On the board, Mr Clark has now been replaced by his deputy, Mr Harry Norris, a former finance director of Wimpey, while Mr Levy remains as a non-executive director. In another blow which the company can ill-afford, it is also set to lose the services of Mr Hugh Jenkins, the director general of investments for the Coal Board Pension Funds, who joined the Stock Conversion board only a year ago. He is moving to the U.S. in the New Yer to run Heron's U.S. operations.

But the stock market now clearly believes that while Mr Clark's death may represent the end of an era, it could open up a fresh range of possibilities for a company which has displayed all of the potential, but little of the necessary enthusiasm, for bigger things.

The most obvious development would be a takeover bid from a company in search of the type of conservatively-financed, high-quality asset base that Stock Conversion has to offer.

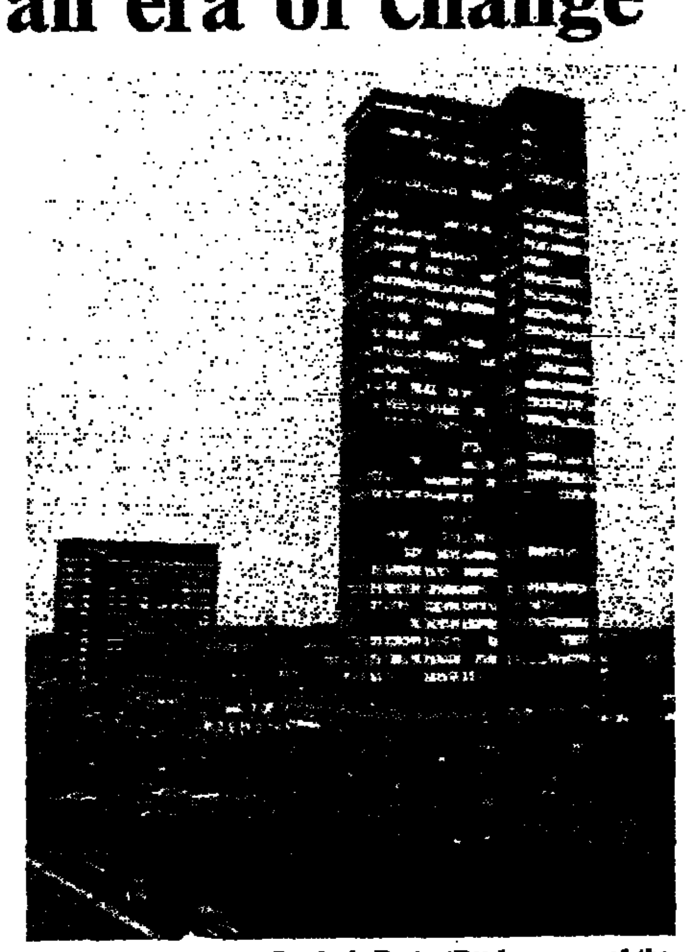
Through Equity Trust, Mr Clark and Mr Levy have held about 22 per cent of Stock Conversion's equity, on top of the combined 10 per cent stake they controlled directly.

The only other major shareholder, with around 8 per cent of the equity, is the Kuwait Investment Office. The KIO might consider—and could certainly afford—to make a bid for a company likely to cost well in excess of £200m. But its recent decision to try and sell off some of the major buildings owned by St Martins Property Corporation—its UK property investment vehicle—does not suggest it is currently anxious to further expand its British property interests.

An institutional bid is always a possibility in the case of a "blue chip" company like Stock Conversion but the pension funds and insurance companies have not recently shown themselves to be enamoured with the attractions of the property sector.

Another possible predator is John Ritblat's British Land, which earlier this year paid £31m for Wimpey Property's half-share in Euston Centre Properties, jointly-owned with Stock Conversion.

Wimpey apparently got tired of its partner's passive approach to such investments and Mr Ritblat was quick to step in. The deal gave him a 50 per cent interest in a number of major London office buildings and a 3.2 per cent equity stake in Stock Conversion. A follow-up bid from Mr Ritblat cannot be ruled out but the recent £68m acquisition of the Rank Organisation's UK portfolio means his team is fairly fully occupied.



The Euston Centre on London's Euston Road . . . one of the group's main property investments

A highly probable alternative is that, with Mr Clark's influence gone, younger in-house management will at last be given the opportunity to unlock more of the company's potential. Traditionally, it has avoided undertaking developments without the immediate prospect of positive revenue returns, something which has become increasingly difficult in today's market.

A more active and adventurous approach could now begin to emerge, with lower returns being accepted as the trade-off for higher capital growth. The group has recently been buying in minority holdings in a significant number of properties and this process could logically be extended as part of a more aggressive attitude towards overall portfolio management.

Stock Conversion has not been best-known for its generous dividend distributions and, here at least, signs of a fresh approach are already evident. This week's figures for the half-year up until the end of September were accompanied by a 25 per cent increase to 2.5p in the interim dividend.

High dealing profits and rent reviews helped push up pre-tax profits by £1.73m to £9.48m and the City is now looking for a year-end total nudging £19m against £17.4m in 1983-84.

Given the opportunity, there seems little doubt that an independent Stock Conversion could successfully mastermind the next phase of its development and build on the legacy established by its two famous founding fathers. Any predator with other ideas will certainly be expected to pay a high price to change the company's destiny.

COMPANY NEWS IN BRIEF

Following the offer by Japan Assets Trust for Anglo Scottish Investment Trust becoming wholly unconditional, the proposed rights issue of £7.5m 4½ per cent convertible unsecured loan stock 1994 and the proposed scrip issue of warrants are being made to shareholders registered on December 3 1984.

Each £100 nominal of the loan stock will be convertible on January 31 in the years 1986 to 1994 inclusive into 141 JAT shares based on a price per share representing 110 per cent of the net asset value per JAT share.

Each warrant confers the right to subscribe for one JAT share, in any of the years 1986-1994 inclusive, at a price of 64p.

* * *

Turnover and profits for the first four months at **Smiths Industries** were ahead of those for the comparable period of the previous year, Sir Roy Sisson, the chairman, told the annual meeting.

He added: "Our forecasts for the year, as a whole, continue to indicate that a further worthwhile advance in profits could be achieved in 1984-85."

* * *

Pre-tax profits at the **British Land Company** rose from £3.61m to £4.04m for the six months to the end of September 1984. The interim dividend has been lifted from 0.5p to 0.75p, which the directors say is partly to reduce disparity. *They intend to pay a* final of not less than last year's 1.5p.

Net rental income was £7.21m (£6.56m). There were property sales profits of £1.25m (£1.04m) and securities dealing, dividends and sundry income of £1.18m (£1.51m). Interest costs were £4.04m (£3.61m).

* * *

Interim pre-tax profits at **Tops Estates** virtually doubled from £14,676 to £29,258. Rental income for the six months to end-September 1984 amounted to £51,297 (£32,382).

The taxable result was struck after property outgoings of £3,595 (£7,563), administration expenses of £6,095 (£4,495) and interest payable of £12,506 (£5,785).

Tax took £11,622 (£4,789). Earnings per share were shown *as 0.334p (0.198p). Tops is* quoted on the USM.

* * *

Financial and specialist printer, **Williams Lea Group**, increased pre-tax profits from £1.41m to £1.55m for the year to the end of September 1984. Sales were up by more than £2m at £17.97m.

The directors of this unquoted, private, close company are recommending a final dividend of 4.5p, which lifts the total from 5.25p to 6.25p. Earnings are *shown at 35.6p (29.84p).*

The directors say that it was a successful year for financial printing with production including prospectuses for the flotations of Enterprise Oil and Reuters. The year's results would have been even better, they say, if it had not been for disappointing results from Multisets. *This company's performance* is now improving.

* * *

Pall Corporation's common stock will be listed on the Stock Exchange from December 17. Its common stock is currently listed on the American Stock Exchange, ticker symbol PLL, and this listing will continue.

* * *

A greater than expected number of applications has forced **The Guidehouse Group**, an issuing house, leasing company and management consultancy, to bring forward the closing date *for its offer for subscription.*

Guidehouse's private offer of 4m new shares at 26p has been about one-and-a-half times subscribed, and the closing date has therefore been brought forward from January 31 to next Monday. Investments in Guidehouse do not qualify for Business Expansion Scheme tax relief, as stated last week.

* * *

In the half year ended September 30 1984, the **Eliza Tinsley Group** has produced a turnover of £3.96m and a pre-tax profit of £322,000. As in other years these represent just over 40 per cent of the expected totals for the full year.

The interim dividend is 1p net and the total is expected to meet the 2.8875p forecast in the USM application document last July. Results include four months of Wiggin Chains; the comparable half year has been adjusted for *the acquisition and shows* turnover of £3.62m and profits of £297,000. Earnings are 2.64p (2.58p) per share.

Chairman Mr E. R. Jeynes regards the half year as satisfactory, in view of the continued capital expenditure and increased marketing activity. Tool distributor Griffin Manufacturing showed a good profit increase, but the presswork operation (J. T. Parkes & Sons) went into decline because of a reduction in inter-company trading. Profits were also indirectly affected by the miners' strike.

Costs associated with USM entry have been charged as an extraordinary item of £85,000.

* * *

Pre-tax losses of **Porter Chadburn**, the food and drink equipment, general engineering and plastics concern, rose by £39,000 to £217,000 for the 26 weeks to July 6 1984. Turnover was little changed at £6.37m, against £6.31m.

Losses per 20p share were shown at 5.51p (5.58p).

* * *

Caffyns, automobile agent and engineer, continued its recovery over the six months to September 30, 1984. Turnover was virtually static at £45.31m but pre-tax profits pushed ahead from £474,000 to £554,000.

The figures included a surplus of £585,000 (£248,000) on branch rationalisation but also took into acount a £394,000 rise in other operating harges to £5.05m. Interest costs amounted to £548,000 (£571,000).

Earnings improved by 2p to 14p to 14p per 50p share. The interim dividend is a same-again 2.2p.

* * *

Although difficult trading conditions persist in some areas of **Benjamin Priest Group**, the benefits of the reorganisation and other economies are beginning to have a favourable impact on results, the directors state.

Full benefits have not come through in the first half ended September 30 1984, but the group has earned a small profit of £4,000, comparted with a previous loss of £160,000. In the half year turnover came to £14.93m (£19.02m).

* * *

The proposals for an improvement in the conversion rights attaching to **Aitken Hume I..l's** 10 per cent convertible unsecured loan stock 1990-91 for the 1984 conversion period have become unconditional.

By December 15 valid notices of the conversion had been received from the holders of £3.67m in nominal amount (91.68 per cent) of the stock. The company intends to exercise its rights to convert compulsorily the outstanding balance of the stock.

* * *

Net asset value per 25p share of **F. & C. Alliance Investment** totalled 107.1p (89.6p) at October 31 1984. Attributable revenue for the six months to end-October improved from £295,000 to £410,000 after deducting tax of £224,000 (£117,000).

Earnings per share amounted to 0.89p (0.63p). The interim dividend is 0.55p (0.5p) net and the present intention is to pay at least a maintained final of 1.1p. Interest charges were cut to £207,000 (£455,000).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
British Land	0.75††	Jan 31	1‡¶	—	4.5¶¶
Brown and Tawse ... int.	2	—	0.5	—	1.6
Equity and Law Life int.	1	—	—0.25	0.38	0.25
F and C Alliance ... int.	0.55	—	1.75	2.1	1.75
Hawtin	0.38	—	0.95	1.75	1.7
Irish Ropes	2.1**	Feb 4	0.1	—	1.6¶
J. and H. B. Jackson ...	1	April 1	4	7.5	5.5
Reed Executive ... int.	1	Feb 22	3	5	4.33
Trident TV	5.8	Feb 12	1.5	2.7	2.5
Watson and Philip	3.5	—	Nil	0.18	Nil
Western Selection	1.7	—	0.5	—‡‡	2
Widney	0.1§	Feb 19	1.2	—	4.8

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital *increased by rights and/or acquisition issues.* ‡ USM stock. § Unquoted stock. ¶ For 15 month period. ‖ For 8 months. ** Irish currency throughout. †† Partly to reduce disparity. ‡‡ Final of not less than 1.5p recommended. ¶¶ Adjusted for subdivision of shares.

Over-the-Counter Market

1983-84 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord. ...	138xd	—	6.6	4.8	7.7	9.1
158	117	Ass. Brit. Ind. CULS...	147xl	—	10.0	6.8	—	—
78	52	Airsprung Group	53	—	6.4	12.0	8.8	7.1
42	21	Armitage and Rhodes	41	—	2.9	7.0	8.1	8.8
133	57	Bardon Hill	133	—	3.4	2.6	13.4	22.3
56	42	Bray Technologies	46	+ 2	3.5	7.6	5.3	7.7
201	173	CCL Ordinary	173	—	12.0	6.9	—	—
152	114	CCL 11pc Conv. Pref....	114xl	—	15.7	13.8	—	—
800	100	Carborundum Ord.	798	− 2	5.7	0.7	—	—
84	84	Carborundum 7.5pc Pf.	84	—	10.7	12.8	—	—
249	92	Cindico Group	92	—	—	—	—	—
73	45	Deborah Services	68	—	6.5	9.8	6.3	10.2
240	75	Frank Horsell	240	—	—	—	8.6	12.6
206	75½	Frank Horsell Pr.Ord.87	206	—	9.8	4.8	8.3	10.8
69	25	Frederick Parker	29	—	4.3	14.8	—	—
50	32	George Blair	50	—	—	—	3.4	6.7
80	30	Ind. Precision Castings	30	—	2.7	9.0	8.2	8.9
218	200	Isis Group	200	—	15.0	7.5	7.9	14.4
124	61	Jackson Group	107	—	4.9	4.6	6.0	9.8
285	213	James Burrough	280	—	13.7	4.9	9.9	9.8
93	82	James Burrough 9pc Pf.	93	—	12.9	13.9	—	—
80	71	John Howard and Co.	80	+ 2	5.0	6.3	8.2	11.6
147	100	Linguaphone Ord.	139	—	—	—	—	—
100	93	Linguaphone 10.5pc Pf.	93xl	—	15.0	16.1	—	—
570	275	Minihouse Holding NV	568	− 2	3.8	0.7	40.8	44.7
176	31	Robert Jenkins	32	—	5.0	15.6	—	—
74	28	Scruttons "A"	28	—	5.7	20.4	14.7	3.6
120	61	Torday and Carlisle ...	87	—	—	—	9.3	19.6
4**	370	Trevian Holdings	370	—	4.3	1.2	21.0	20.7
28	17	Unilock Holdings	26xd	—	1.3	5.0	12.9	18.2
93	65	Walter Alexander	93	+ 1	7.5	8.0	7.0	11.2
276	226	W. S. Yeates	226	—	17.4	7.7	5.4	10.8

Prices and details of services now available on Prestel, page 48146

UK COMPANY NEWS

Mixed results at Watson & Philip

A FALL in the cash and carry results was more than offset by increases on the delivered grocery and catering sections of Watson & Philip, Dundee-based food group, during the year ended October 26 1984. Trading profits advanced from £747,000 to £973,000 for the period and were boosted by much higher dividends from unlisted investments to make £1.61m at the pre-tax level compared with £821,000.

The directors look forward "with growing confidence" to the current year. They say there should be continuing profit gains as a result of various actions taken during the last 12 months.

The directors point out that the amount of vacant property left under the company's control, following rationalisation, is likely to cause concern. These costs, they state, will have "an increasing impact on 1984-85 although they should only slow, but not prevent, the growth of the company."

Group turnover rose by £14.8m to £93.39m and after cost of sales, gross profit emerged at £8.16m, against £8.71m.

Earnings per 10p share more than doubled from 1.2p to 17p and a final distribution of 3.5p (3p) net lifts the dividend to 5p (4.33p).

A divisional breakdown of both turnover and trading profits shows: cash and carry £41.33m (£40.32m) and £159,000 (£240,000); delivered grocery £19.91m (£12.2m) and £256,000 (£55,000); retail £3.91m (£607,000) and £57,000 (£5,000); catering £18.96m (£17.96m) and £437,000 (£264,000); manufacturing £487,000 (£477,000) and £11,000 loss (£27,000 loss); imports £8.8m (£7.03m) and £43,000 (£96,000). Other net income was £85,000 (£59,000), while interest took £53,000 (£56,000 added).

Net profits amounted to £1.61m (£821,000) after deducting tax of £503,000 (£217,000) and adding in an exceptional tax credit of £315,000.

The directors say the year was of considerable movement in the cash and carry market in Scotland. The increased competition, which began in mid-1983, intensified and led to some degree of rationalisation and change, particularly in the Glasgow area.

In line with the group's development programme the upgrading of the Kirkcaldy and Dundee depots was completed. The directors say that apart from the Rutherglen closure, the impact of the upgrading and the Glasgow reorganisation came too late to have any beneficial effect on the 1983-84 performance.

They are, however, confident that the changes made will have an immediate impact on the current year and they expect to see a material improvement in this division's fortunes.

The absorption of the Mellis business, acquired at the end of 1982-83, has now been completed and the result is shown from the improved profit of the delivered grocery section, directors state.

In the retail sector the nine wholly-owned Spar shops, acquired in the Mellis transaction, have made a worthwhile contribution to group profits, while the improvement in the catering division's profits continues the trend of the last two years, the directors state.

Some reduction in the market for the supply of foodstuffs to oil-related operations has resulted in excessive pressure on selling prices.

Acquisitions lift Brown and Tawse

Brown & Tawse saw its first half profits surge by some £1m at the pre-tax level and looks for a "favourable" full year as the benefits of expansion are realised.

The interim dividend is being stepped up from 1.2p to 2p net, partly to reduce disparity between the two payments.

Boosted by a £601,000 contribution from new acquisitions' profits for the opening six months to September 30 1984 increased from £1.54m to £2.54m. The balance was made up as to £1.79m (£1.34m) from existing businesses and £155,000 (£200,000) from plant sales.

Turnover improved from £29.64m to £44.82m and operating profits amounted to £2.9m, compared with £1.47m — the group's principal activities are steel and tube stockholding and engineering.

The directors are continuing their acquisition policy and reveal that Morris Warden, a Glasgow-based specialist valve distributor, and George W. Mancell (London), a distributor of general steels, based in London and Hull, have been purchased for cash.

Mancell has net assets of approximately £500,000 and will expand Brown & Tawse's distribution business in the south-east and Humberside areas.

Morris Warden has net assets of some £150,000 and the acquisition will continue Brown & Tawse's expansion into specialist valve distribution.

Combined turnover of these two businesses in their last audited financial years was £2.6m.

Pre-tax profits for the opening six months were struck after deducting interest costs of £357,000 (adding £72,000).

Tax accounted for £1.14m (£514,000 adjusted) and amortisation of revaluation reserve amounted to £40,000 (£42,000).

Earnings came through 1.8p higher at 6.7p per 25p share.

Group pre-tax profits for the 1983-84 year slipped from £3.55m to £3.25m. In his report Mr S. D. Rae, the chairman, said prospects for this year were very encouraging. Prices of many pipeline and steel products had already risen and further increases were expected.

Shareholders were told that sales in the first quarter, excluding the effect of acquisitions, showed a healthy increase and acquisitions would "greatly enhance" the full year results.

Reed Executive to maintain 47% growth

WITH A 46.8 per cent improvement in taxable profits at the halfway stage, the directors of Reed Executive anticipate that this rate will be maintained for the remainder of the current financial year.

The result for the 26 weeks to September 29, 1984, was £903,000 against £615,000, with most of the increase coming in the employment and travel agents sector. The operating surplus here was £892,000 against £694,000. Self-service drug stores also showed a significant rate of growth, up from £8,000 to £76,000.

The directors comment that they find themselves in two diverse areas of commercial activity, both of which are enjoying continued growth. Group turnover moved ahead from £18.36m to £23.53m.

With regard to the drug stores, the company now has a branch network of 39 outlets, having closed one, doubled the sales area of another and opened nine new stores.

The directors have declared an interim dividend of 1p net per 10p share, with earnings per share for the period stated at 6p (5.9p). There was a total payout last time of 1.6p for a 15-month accounting period, when profits reached £1.31m on turnover at £45.37m.

The taxable figure this time was struck after interest charges £22,000 lower at £65,000, and was subject to tax at £270,000. There was no tax charge in the comparable period last time.

In line with growing practice, the directors decided to invite tenders for the appointment of the group's auditors. Coopers and Lybrand have resigned and Deardon Farrow have been appointed in their place.

Western Selection improves

INCREASED pre-tax profits of £616,000 against £405,000 are reported by Western Selection for the year to the end of September 1984. Turnover moved ahead from £8.66m to £8.88m.

The final dividend is raised from 1.5p to 1.7p, which lifts the total from 2.5p to 2.7p. Earnings per 20p share are shown at 3.48p (2.28p).

The directors are confident that the group will participate in the growth of the telecommunications industry through its major subsidiary Duratube & Wire. The results for 1985 will depend on the successful completion of an expansion programme and trends on the Stock Exchange. They look forward to another year of "satisfactory results."

Duratube & Wire increased sales by 21 per cent and net profit by 55 per cent.

Sales of direct exports increased to £1.42m (£1.39m) and, at the year-end, outstanding orders were the highest level in the company's history.

Having acquired, in May, an additional freehold factory adjacent to the main works at Feltham, near Heathrow, the capital investment programme has progressed on time and the new plant is expected to start production next spring. The new manufacturing complex will concentrate on the production of a range of external cables which the company was not previously equipped to manufacture, and a broader range of high technology cables which will meet the growing demand at home and, in particular, overseas.

During the year investment dealing profits increased by 27 per cent to £161,066. The value of the investments, held in the portfolio as current assets, was £205,046 above cost, at September 30 compared with £161,365 last year.

Pre-tax profits broke down as to: Duratube & Wire £330,000 (£212,000); parent company £224,000 (£152,000); and adjustment to provision on investments £62,000 (£41,000).

Tax took £270,000 (£178,000) leaving net profits ahead from £227,000 to £346,000. There was an extraordinary provision for deferred tax this time of £335,000. Dividends will absorb £268,000 (£248,000).

Process Systems allocation

For the offer for sale of 16m shares of Process Systems Inc, at 92p per share, approximately 42,000 applications were received for a total of some 216m shares. Of the shares offered 1.55m will be allocated to existing shareholders in the company, who were provided with preferential application rights.

The balance will be allocated on the following basis:

Between 100 and 500 shares—ballot for 100 shares; between 600 and 1,000 shares—ballot for 200 shares; between 1,500 and 5,000 shares—ballot for 350 shares; between 6,000 and 10,000 shares—ballot for 700 shares; for 15,000 shares and above—approximately 7.4 per cent of amount applied for.

It is expected that letters of acceptance will be posted today and that dealings will commence tomorrow.

Oceonics makes up some leeway

WITH PROFITS at £2.78m before tax and turnover at £34.56m, Mr R. F. Aird, chairman of Oceonics Group, considers that the results for the half year to September 30 1984 are evidence of the underlying strengths of this technology services and advanced systems concern.

The comparable figures are £2.37m and £18.97m restated to include the results of MPE & Associates and its subsidiaries, and Laser Engineering (Development), acquired last March.

The chairman adds that, as the group is now less vulnerable to seasonal patterns in the offshore industry, which have in the past depressed second-half figures, the prospects for the full year are encouraging. The last full period saw a decline of £2.78m to £3.23m.

The group has started the second half well. In technology services a "useful recovery" from the second half last time can be expected if the improved trading conditions continue to April. In the period under review, turnover reached £24.37m (£15.19m) generating operating profits at £2.78m (£2.33m).

The outlook for the advanced systems division is "very positive," particularly in defence systems. At midway turnover was £10.19m (£3.79m) and the operating result £580,000 (£366,000).

The taxable figure was struck after lower income from related companies at £34,000 (£71,000) and net interest payable at £616,000 (£398,000).

After tax of £400,000 against £531,000, minorities deduction £187,000 (£48,000), and £161,000 (£13,000) preference dividends, earnings are stated at 6.6p per share (6.1p). There is, as usual, no ordinary interim dividend.

Attributable profits came out at £2.19m against £1.79m and the retained balance was up from £1.78m to £2.03m.

Commenting in detail on the performance of the technology services division, Mr Aird says there was some improvement in margins during the period, although trading conditions in the offshore industry remained difficult.

The division's market position in the North Sea continued strong and in North America, "an area of high potential," a significant increase in market share was achieved. Prospects in the Far East were recently enhanced with the signing of a six-year co-operative venture agreement with the Nanhai West Oil Company of the People's Republic of China to perform offshore geophysical services.

As previously announced, the company took the opportunity to realise a major part of its investment in the field of undersea remotely operated vehicles (ROV's) by the sale of equipment to Sea-Con Services, a subsidiary of Chicago Bridge and Iron Inc, for £2.45m. It will remain involved in ROV's with particular concentration on systems for specialised applications, says the chairman.

Great Western

Profits of Great Western Resources, which is listed in London, rose from $78,000 to $127,000 in the year ended September 30, 1984, equivalent to £103,000.

Revenues came to $1.42m ($385,000) or £1.15m. After tax $28,000 ($14,000) earnings are shown at $0.01 (nil).

Davenports

Following a lower surplus on property disposal at Davenports Brewery (Holdings), pre-tax profits fell from £2.76m to £2.43m for the year to the end of September 1984. The property surplus fell from £631,000 to £73,000.

Turnover amounted to £35.49m (£34.01m).

The final dividend has been lifted from 5p to 5.4p, which raises the total from 8.4p to 9p.

Irish Ropes

Irish Ropes raised pre-tax profits from I£249,000 to I£326,000 during the 12 months to end-September 1984 on turnover ahead at I£27.42m against I£25.04m.

The company manufactures ropes, twines, carpets, wire, plastic products, and is also engaged in spinning and weaving and hard fibre dyes. The single final dividend is being raised from 1.75p to 2.1p.

Further developments of products and markets are planned for the current year. While the directors are hopeful of a better outcome for 1984/85, they warn that trading conditions will remain difficult.

Commercial Union bonus

Commercial Union is maintaining the compound bonus rate on its ordinary with profits policies at £5 per cent, and the additional "bonus-on-bonus" rate is being held at £2 per cent.

In addition, Commercial has increased its terminal bonus from 10 per cent to 17.5 per cent of bte total sum assured and bonuses for death claims and maturities from January 1 1985.

On self-employed and executive pension plans, the £7 per cent compound bonus rate is unchanged and the additional "bonus-on-bonus" remains at the interim rate of £2 per cent (1983 declared rate £2.5 per cent). For these policies there has been an even greater increase in the terminal bonus from 7.5 per cent to 17.5 per cent of the total sum assured and bonuses at maturity.

For terms under ten years, terminal bonuses are reduced proportionately. The interim bonus rates under both ordinary and pension policies will be the same as the declared rates.

Yearling rate up

The interest rate for this week's issue of local authority bonds is 10¼ per cent, up one-sixteenth of a percentage point from last week, and compares with 9¾ per cent a year ago. The bonds are issued at par and are redeemable on January 2 1986.

A full list of issues will be published in tomorrow's edition.

Butterfield Harvey cuts losses

Butterfield-Harvey reports sharply lower interim taxable losses of £126,000, against £739,000, and the directors say that the year's outcome should show a return to profit.

Excluding a £780,000 trading loss attributable to Shelvoke Dempster (municipal and special purposes vehicles), other businesses made a profit of £1.11m, against £670,000, in the six months to September 29 1984. Harcostar, G. A. Harvey Office Furniture, South Western Marine Factors and Milshaw all returned higher contributions.

Group turnover amounted to £22.25m (£22.61m). Taxable profits were struck after interest of £372,000 (£351,000. There was no tax (£2,000).

Despite the expected upturn, there will again be no dividends for the year. Distributable reserves will still show a deficiency, say the directors.

R. H. Morley

R. H. Morley Group increased pre-tax profits from £61,000 to £72,000 for the half year to September 30 1984, although the directors say that turnover, at £1.81m compared with £1.69m, was disappointing.

At the year end in March, Mr H. N. Khan, the chairman of this polythene film and bag manufacturer, stated that the company's activities were at full stretch and it was unable to meet demand until the introduction of new and more efficient machinery. However, the metal-workers' strike in West Germany resulted in a delay over the installation of this machinery.

The new plant is now fully operational and has shown a marked improvement in the level of production and the cost of production over the corresponding November-December period of 1983.

Stated net earnings per 10p share of this USM-quoted company were shown up at 2.67p (2.44p).

Tax took £24,000 (nil). There is again no interim dividend.

Widney dividend

Pre-tax profits at Widney, Birmingham-based general engineer, rose sharply in the year to September 30, 1984, and the group is to pay a dividend of 0.175p, the first payment since 1978.

The result was up from £129,917 to £248,221, and the directors say that current trading conditions remain buoyant. They anticipate another year of progress.

Turnover moved ahead from £4.91m to £5.38m. Tax took £19,164 (nil), and there was a net extraordinary loss of £15,000 (£124,389).

With earnings per share up from a stated 1.5p to 2.3p, the directors restate their intention to pay arrears on preference shares on December 31 next.

Security Centres 'talks on the future' as chief quits

BY RAY MAUGHAN

Security Centres Holdings will be seeking its third chairman in two and a half years following the resignation yesterday of Mr Brian O'Connor from the board of the burglar and fire alarms group.

Mr O'Connor succeeded Mr Stewart Jamieson in the summer of 1982 but last week Mr O'Connor announced his resignation from the board of Aitken Hume, the financial services group which advises Security Centres. He also left the board of Leisuretime, the quoted hotels and travel group which is connected with Aitken Hume.

No reason was given for the chairman's departure from Security Centres but the group said that it would be giving "high priority to the creation of a new management structure." Mr Tom Forrest will be staying on in his current position as managing director but the appointment of a new chairman is "under active consideration."

Other steps to be taken include "new measures to strengthen the finances" of Security Centres and "discussions on the future of the group will take place immediately with leading institutional shareholders."

The largest outside shareholder is the Kuwait Investment Office which recently disclosed a 7.5 per cent interest.

Security Centres affirmed that the acquisition of Defence Services will proceed as planned and that the vendor, Mr Alastair Morrison, will join the board.

But there was no mention yesterday of the proposed sale of the UK alarms operation to Automated Security (Holdings). The announcement at the end of last month that Security Centres was prepared to sell for £5.5m has pushed the share price down from 230p to 162p yesterday, after 155p.

The planned disposal marked a distinct change of direction for Security Centres which had hitherto been embarked on a long trail of acquisitions ever since Mr Jamieson injected his security business into St George Assets, the Sri Lankan plantations "shell," early in 1979.

Taxable profits had risen from £210,000 to £4.3m in that period while earnings per share had increased from 2.42p to 17.06p by the year to March 31 last.

But the balance sheet showed a net current liability of £5.3m while fixed assets contained £25.75m of intangibles, largely made up of customer alarm contracts which Security Centres amortises on a straight line basis over 20 years. Net worth as per balance sheet was £15.04m before minority interests of £10.9m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims — American Oil Field Systems, Bisichi Tin, Danae Investment Trust, Distillers, Philip Harris, London and Associated Investment Trust, Mansfield Brewery, Marston Thompson and Evershed, Plysu, Syltone, Victoria Carpet.

Finals—Chemring, Crystalate, Flexello Castors and Wheels, Pict Petroleum, C. A. Sperati (Special Agency), Stainless Metalcraft, Westland.

FUTURE DATES

Interims:—

Electronic Rentals ..... Jan 10
Forminster ..... Dec 20
Northamber ..... Dec 20

Final:—

Daily Mail and General Trust ... Jan 11

Ladbroke buys Comfort stake from Intasun

The directors of Intasun Leisure Group have announced that in view of the recommended £71m offer from Ladbroke Group for Comfort Hotels, it intends to lapse its offer for Comfort.

A subsidiary of Morgan Grenfell, acting in concert with Ladbroke, has acquired 9.34m ordinary Comfort shares, representing 14.95 per cent, from Intasun, at 85p per share.

Mr Cyril Stein, chairman of Ladbroke, said that the purchase of the shares puts Ladbroke in a "very strong position indeed both from the point of view of achieving an overwhelming acceptance following the posting of our offer document this week, and also because any possible predator will obviously be dissuaded by our having committed to us such a large part of the equity."

Auto Security rights

Of the 14,781,907 new preference shares offered by way of rights by Auto Security (Holdings), 13,852,511 shares (93.71 per cent of the total) have been taken up and the remainder sold at a premium.

The net proceeds of sale will be distributed to shareholders whose rights were not taken up.

Baring to pay £7m total in fund management deal

BY ALEXANDER NICOLL

Henderson Administration, the fund management group, will receive £6m from Baring Brothers for its half-share in their jointly-owned Far Eastern venture, Henderson Baring Management.

Under the terms of the deal, first announced in November and now agreed subject to approval by Henderson shareholders, Henderson will also get a 1984 dividend of US$1.2m (£1m) from the Hong Kong-based company.

HBM manages funds totalling £1.46bn. Henderson plans to take over management of £424m of units trusts itself once it has assembled a new team of three managers, to be based initially in London but still concentrating on the Far East.

Baring plans to rename HBM as Baring International Investment Management and to keep its 70-strong staff intact. It will be responsible for all of the Baring group's specialist investment management in the Far East and for Far Eastern and European equity investment on behalf of clients from North America and Japan.

HBM plans to launch a range of unit trusts including Far East specialist funds in the near future.

Acquisition helps Hawtin

An encouraging contribution has been made to group profits at Hawtin by Gul Wet Suits, acquired last March. For the 12 months to the end of September pre-tax profits amounted to £1.09m on turnover of £16.55m, against £606,000 before tax on turnover of £9.39m for the eight-month period to end-September 1983.

A single dividend of 0.375p net is recommended, compared with 0.25p. Earnings per 5p share are shown as 1.62p (0.95p).

The group has adapted to difficult trading conditions, say the directors, and turnover has increased in manufacturing and wholesaling with correspondingly improved profits.

Increased demand for industrial clothing and safety products reected by the division's continuing improvement and a new depot has recently been opened in Coventry.

The charge for tax came to £207,000 (£95,000).

Grovebell adds 7.5p to Atlanta offer

By Alexander Nicoll

Mr Vasant Advani's Grovebell Group yesterday added 7.5p per share to its equity and cash offers for Atlanta Investment Trust, which made no immediate response.

Mr Advani, chairman of the vehicle distribution and financial services group, said the bid was increased "in deference to Atlanta's share price. We want to finish the whole thing off before Christmas."

For every two Atlanta shares, accepting shareholders would get 15p in cash in addition to the previous offer of 17 Grovebell shares. The cash alternative is increased to 135p per Atlanta share from 127.5p.

At Grovebell's unchanged closing price yesterday of 161p, te shares-plus-cash offer values Atlanta shares at 150p each. Atlanta gained 4p to 139p yesterday.

Grovebell's initial offer won acceptances representing 26.1 per cent of Atlanta's ordinary equity. It said the increased offer represents a 22.8 per cent premium over Atlanta's net tangible asset value.

Full listing for Framlington

Framlington, the unit trust and financial management group which joined the Unlisted Securities Market in May 1983, has applied for a full listing on the Stock Exchange.

The company has around 40 per cent of its capital held by the public, the minimum allowable by the Stock Exchange before application for a listing is accepted.

Framlington has grown fast since going public, increasing funds under management from £153.3m to £250.5m and the number of unit-holdings from 35,400 to 62,000.

Its latest new funds, the Japan and General Fund and the Far East Fund have brought the total number under management to 12. Framlington has established two new subsidiaries: Unit Trust Software and Framlington Life Insurance.

Unit Trust Software, 51 per cent owned by Framlington and 49 per cent owned by Simulex, will market software for unit trust management companies. It offers programmes for unit trust savings scheme and unit trust dealings.

The Life Assurance company will compete directly in the self-employed market.

Samuel Props £7m purchase

Samuel Properties is paying £7m to acquire the freehold interests of three office blocks.

The property company is to purchase 4-7 Chiswell Street, a 34,000 sq ft City of London office building, and 153-161 The Broadway, Wimbledon, an office and retail investment, for a combined total of £3.9m. The acquisition is to be satisfied by the issue of 2.74m ordinary shares in Samuel.

In a separate deal, Samuel is to pay £3.1m for Westway House, a modern 32,000 sq ft office building in Greenford, Middlesex. The purchase entails the issue of 2.18m ordinary shares.

CEI £1.6m acquisition

Cambridge Electronic Industries has conditionally agreed to acquire Analytical Accessories for £1.6m in shares.

Analytical trades under the name SPECAC and operates in the field of infra red spectroscopy and high precision optical systems. It supplies both standard products and specialised services in the laboratory instrumentation market, and has experienced steady growth since it was founded in 1970.

It also engaged in a number of new developments in the field of advanced optics, complementary to the laboratory light source and laser technology of Cathodeon, an existing wholly-owned subsidiary of CEI.

Analytical's pre-tax profit for the year ended May 31 1984 amounted to £297,000 on turnover of £1.8m. Net tangible assets at that date were £643,000.

Fergabrook to buy Clifford

The directors of Fergabrook Group, distributor of toys, inflatable goods, toiletries and leisure goods, have entered into a conditional agreement to acquire Clifford E. McGuire, trading as Clifford Enterprises.

The consideration is to be satisfied by the issue of 1.6m new ordinary 20p shares of the group. The issue represents 9 per cent of the enlarged issued capital of Fergabrook and the vendors have undertaken to retain 960,000 shares for at least 12 months.

Fergabrook also intends to acquire freehold premises at Units 3 and 4, Weir Road Industrial Estate. These premises offer 38,860 square feet of warehouse and office space. The consideration is £1.73m and will be satisfied by a cash payment of £780,000 obtained from the group's existing bank facilities and by the issue of 1m new ordinary 20p shares.

* * *

Becorit (GB), a subsidiary of Steel Brothers Holdings, has bought the assets of Robert Hudson (Raletrux) from the liquidators. Robert Hudson makes railed vehicles and effluent treatment plant.

Aeronautical and General accepts £13m Swiss bid

BY RAY MAUGHAN

THE BOARD of Aeronautical and General Instruments (AGI) yesterday accepted a £13.4m cash bid from Landis and Gyr, a Swiss group which like AGI, is engaged in telecommunications equipment manufacture.

With irrevocable acceptances from funds managed by Rea Brothers, the bid is effectively a shut-out since undertakings to accept have been received for 45.1 per cent of the equity. The bid value is 330p per share, which is short of the market's most optimistic expectations, and the price closed yesterday at 30p, down 15p.

The bid has been made through the UK arm of Landis & Gyr AG, a multinational which turns over the equivalent of more than £400m annually. It describes itself as "the world's leading producer of electricity meters" and also produces a range of sophisticated environmental control and energy management systems, together with products used in advanced areas of telecommunications.

AGI is best known for its blue payphones, supplied to British Telecom, which it makes under a licence from Autelca, a subsidiary of another Swiss company, the Hasler telecommunications group.

Landis & Gyr also produces the holographic pay phone card operated system which is being installed by British Telecom. It believes that merger of complementary telecommunications businesses should provide a significant commercial advantages, with particular emphasis on the expansion of research and development and further expansion in world markets.

Marshall's Universal may sell E. Africa businesses

BY CHARLES BATCHELOR

Marshall's Universal, the vehicle distributor and paper merchant, which earlier this year fought off a £6.5m takeover bid from Grovebell, a motor trade finance group, may sell its East African interests.

Marshall's announced yesterday that discussions are taking place.

The approach has come from a company which contacted Marshall's during the course of the abortive Grovebell takeover attempt attracted by the publicity created by that bid, Mr John Oliver, Marshall's managing director, said. Grovebell is not involved this time, however.

The motor vehicle distribution and components distribution and manufacturing companies in Kenya and Tanzania contribute 35-40 per cent of group profits and about 25 per cent of turnover. In the six months ended June 30 1984 Marshall's made pre-tax profit of £1m on turnover of £31.8m.

Marshall's East African businesses improved their results during the first half though £587,000 was written off against reserves on the balance sheet following a devaluation in Tanzania.

These businesses have performed well, but Marshalls would be happy to sell at the right price to avoid the highly volatile market conditions in which they operate, Mr Oliver said.

Marshall's shares rose 1p yesterday to 61p.

Glass Glover expands interests in Scotland

Glass Glover Group, food distributor and fresh fruit and vegetable importer is acquiring for £3.1m Rankins' Fruit Markets.

Rankins was established in 1929 and currently trades as importer, wholesaler, and retailer of fruit, vegetables, flowers and florists' sundries in the Edinburgh area, in its own name, as Andrew S. Cark & Co, and as Central Flower Market.

Of the consideration, which approximates to Rankins' net asset value, £2m will be satisfied by new Glass Glover shares at market value at the time of completion. The balance will be cash.

For the year ended August 31 1984 the activities which constitute the continuing business of Rankins produced pre-tax profits of some £90,000 on a turnover of £8m.

Glass Glover directors consider the acquisition to be a "significant expansion of the group's Scottish interests."

BIDS AND DEALS

Southend Stadium has conditionally agreed to purchase H. Townsend & Sons (Builders) for £240,000 in shares, all of which have been conditionally placed on behalf of the vendors by Southend stockbrokers with various institutions.

Townsend, a private Birmingham-based property management concern, showed net rental income from residential properties of £16,582 for the year ended May 31 1984 while pre-tax profits amounted to £7,775. Net assets are £113,771, including freehold property of £46,500 at cost.

The acquisition is due for completion on December 21.

* * *

Whitbread has acquired the outstanding 45 per cent of shares in Highland Distillers Corp, of California, for U.S.$7.8m (£6.5m).

Highland markets Scoresby Rare, "a major U.S. bottled Scotch which has maintained its position as the fastest growing brand in this category," Whitbread says.

Highland will be operated as a division of Whitbread North America.

* * *

British Electronic Traction Company's transport subsidiary, United Transport International, has acquired a 30 per cent share in Citybus, a small bus company in Hong Kong. UTI has committed £0.5m (including an initial loan) for the take with an option to take a controlling share. Citybus has won a licence for a service into the People's Republic of China.

Royex sets terms for a merger with Pezamerica

BY KENNETH MARSTON, MINING EDITOR

Royex Gold Mining and Pezamerica Resources, two Canadian groups already associated, are planning to merge with Royex becoming the surviving company.

The terms are three-quarters of a Royex share for each share in Pezamerica.

Pezamerica says that prior to the "combination," each of its shareholders would receive a warrant to purchase from the company's portfolio one share of International Corona Resources for every four Pezamerica shares held.

The purchase price for International Corona shares would be C$7 (445p) and the warrants would have a life of five years. After the "combination" and warrant issue, which are both subject to approval, Pezamerica shareholders will own about 33 per cent of Royex.

Meanwhile, Pezamerica and Royex together own 62 per cent of International Corona. The last-named has a 45 per cent carried interest in its good grade Hemlo camp gold property which Teck Corporation, with the remaining 55 per cent, aims to bring to production by mid-1985.

Other interests of Royex take in assorted gold exploration projects and developing mines in North America. They include the Cullaton Lake mine, 50 per cent of Renabie Gold Mines, 32 per cent of Goldlund Mines and 62 per cent of Mascot Mines.

Campbell Resources currently owns 45 per cent of Royex and the issue of additional Royex shares as a result of the merger would reduce this stake to approximately 30 per cent. However, Campbell has said that it would increase its holding in due course either through capital injections or market purchases.

Samantha makes further attempt for Temora stake

THE Samantha-Samson partnership is making another attempt to purchase a 25 per cent stake in the promising Temora gold deposit near Wagga Wagga in New South Wales, Australia.

At present 75 per cent is held by the BP-Seltrust group. An earlier move by Samantha-Samson to acquire the remaining 25 per cent from a private Australian group was thwarted by BP, which indicated that it would exercise its pre-emptive right to buy the outstanding interest in the property.

Since then, Samantha-Samson has entered into an option agreement with the vendor which they now intend to exercise. This will be funde by an issue of A$1.28m (£901,000) of Samantha shares to the associated Barrack Mines while a further A$1.51m will be borrowed from a major European bank.

BP has already declared its intention to acquire the debts and non-gold assets of the 75 per cent-owned Seltrust Holdings. Public shareholdersh ave been offered the choice of a share and option package in a new company to hold the gold interests—including Temora—or 54 cents (about 38p) per Seltrust share in cash.

The scheme has yet to be approved but, in the meantime, Seltrust shares are standing at around 44p in London and a sizeable block of them is rumoured to have changed hands recently.

MINING NEWS IN BRIEF

The Royal Dutch Shell group's Billiton (UK) has decided not to exercise its option to purchase Hemerdon Mining and Smelting's 50 per cent interest in the Hemerdon Ball tungsten and tin project near Plymouth. The other half of this potential mine in Devon is owned by the U.S. Amax diversified natural resource group.

Earlier this year planning permission for the proposed mine was refused by the Department of the Environment although it was accepted in principle that the deposit should be exploited. It was suggested that an amended scheme be submitted that would overcome the "compelling environmental objections" and the joint venture partners expect soon to be in a position to submit a modified application.

* * *

Malaysia's Berjuntai Tin Dredging reports an unaudited net profit for the six months to October 31 of M$2.33m (£930,000), equal to 8 cents a share, against M$2.7m a year ago. The interim dividend is reduced to 12 cents, from 14 cents, payable on January 31.7

* * *

Broken Hill Proprietary (BHP) is extending its U.S.$6.10 (511p) per share bid for Energy Reserves Group (ERG) from December 14 to December 21. So far some 89 per cent of the ERG shares have been acquired.

* * *

BHP has also farmed into the Donnybrook gold joint venture in Western Australia where it can earn up to a 51 per cent interest. This would leave the other interests at: West Coast Holdings (24.5 per cent), Carr Boyd Minerals (12.35 per cent) and Hill Minerals (12.25 per cent).

* * *

Denmark's major group of power plants has decided to phase out its South African coal imports by 1990 under domestic parliamentary pressures. The Elsam group, which takes about two-thirds of Denmark's annual 3m tonnes import of South African coal, said the switch to other suppliers would eventually increase the electricity bill of the average household consumer by Kr 250 to Kr 500 (£2.40) a year.

West Midlands County Council has reduced its holding in Asset Special Situations Trust by 100,000 ordinary to 850,000 (about 8.5 per cent).

* * *

The Metalrax Group is buying G. S. Smart Co., a Birmingham-based manufacturer of metal occasional furniture, garden chairs and tables for sale to mail-order houses, for £988,400 in cash and shares.

* * *

Plantation and General Investment has purchased a further 458,333 ordinary shares and £10,000 of 13 per cent unsecured loan stock 1991 in Telfos Holdings. This increases its holding to 3.97m (62.9 per cent) ordinary and £242,400 (28 per cent) in 12 per cent loan stock.

FINANCIAL TIMES

Wednesday December 19 1984

Hopes on interest rates boost Eurobonds, Page 34

WALL STREET

Dip in Fed funds fuels price surge

THE growing conviction that the Federal Reserve is in the process of easing credit policies once again provided the spur for an advance by Wall Street stock markets yesterday, *writes Terry Byland in New York.*

Spurred by a fresh dip in the federal funds rate, stock prices surged higher in heavy trading from the moment the market opened. The Dow Jones industrial average was 13 points up within 20 minutes, and the New York Stock Exchange prices tape ran 10 minutes late as traders struggled with the flow of "buy" orders from private investors.

Stock prices turned higher again at mid-session, when Bankers Trust followed the lead of Manufacturers Hanover by cutting its prime rate to 10¾ per cent. The other money centre banks were expected to follow suit, and a reduction in the Federal Reserve's discount rate, currently at 8½ per cent, was widely predicted.

The afternoon saw stock prices surging ever higher. At the close, the Dow Jones industrial average was 34.78 points higher at 1,211.57 – just short of the 36 point jump on August 3 this year, and the highest closing level since November 12. Turnover at 169.08m was the highest since the August upsurge, although well short of the 236.6m peak. IBM, Ford Motor, General Motors and General Electric were among the host of issues to record turnover exceeding 1m shares. The American Stock Exchange traded 1.1m American depositary receipts of BATS, the UK tobacco group which is selling its cosmetic division to Beecham.

Utility stocks, the immediate beneficiaries of lower interest rates, came in for renewed buying support. The slide in world and U.S. oil prices also pushed airline stocks ahead, adding nearly 10 points to the Dow Transportation average in early trading. Semiconductor issues were strong, and the conviction that the Fed would act to reinvigorate the economy, boosted a wide range of industrial stocks. IBM jumped $4⅛ to $123⅜, and General Electric at $56⅝ put on $1⅝.

Defence stocks surged higher after President Reagan disclosed plans to cut only $28.1bn from defence spending over the next three years – substantially less than the most pessimistic forecasts.

Among the heavy ticket issues to rise sharply were General Motors, $1⅞ higher at $77¾, Ford $1⅜ up at $46¼, Honeywell $2⅝ up at $61⅞, United Airlines $1¼ higher at $45¾ and RCA $1⅛ better at $36⅛.

Texas Instruments jumped $5 to $118¾ after the Pentagon ruling on testing problems with the company's microchips. The ruling places the onus for retesting microchips on the prime contractors. Manufacturers of the testing equipment to move up included Teradyne, $2¾ up at $26⅜ and Genrad, $1⅜ higher at $16¼.

There were gains in stocks of other semiconductor issues, which are expected to benefit quickly from any reinvigoration of U.S. industry. Motorola gained $2½ to $34⅝ and National Semiconductor at $12½ gained $1⅛.

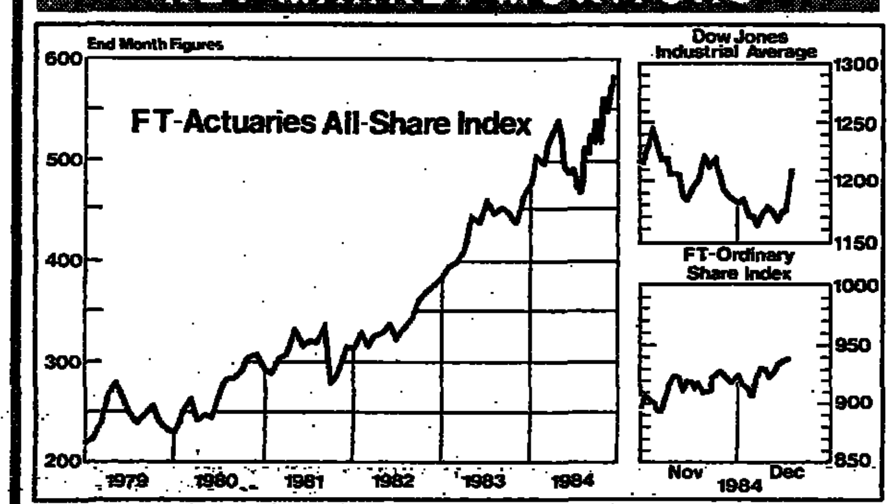
Phillips Petroleum fell $1⅜ to $52½ on the continued delay in the Pickens bid saga. After announcing it was seeking the possible sale of its energy business, Pioneer rose $2⅛ to $32⅝.

In the credit markets, federal funds opened at 7¼, and Treasury bill rates came down by a further 13 basis points. A move by the Fed to drain reserves with overnight matched sale-purchases, when federal funds stood at 7⅛ per cent, had only temporary effect and the funds later dipped to 6½ per cent.

Banking certificate of deposit rates fell by up to 35 points, helped also by reports that the federal authorities might act to remove uncertainties over Government insurance coverage.

Bond prices were a point higher before the market opened, and pauses for profit-taking were brushed aside. Traders were positioning themselves ahead of a discount rate cut, which might come either this week or immediately after the Christmas break. The key long bond closed at 103 5/32, a net gain of 25/32.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 18	Previous	Year ago
NEW YORK			
DJ Industrials	1,211.57	1,176.79	1,242.17
DJ Transport	554.25	539.86	590.15
DJ Utilities	149.93	145.77	131.02
S&P Composite	168.11	163.61	162.39
LONDON			
FT Ord	939.9	938.3	769.8
FT-SE 100	1,216.2	1,212.5	986.9
FT-A All-share	583.80	582.47	464.87
FT-A 500	640.08	638.65	496.66
FT Gold mines	452.2	467.7	570.1
FT-A Long gilt	10.30	10.29	10.24
TOKYO			
Nikkei-Dow	11,460.21	11,455.67	9,530.61
Tokyo SE	890.71	890.94	705.32
AUSTRALIA			
All Ord.	708.1	714.3	756.0
Metals & Mins.	394.9	401.5	549.2
AUSTRIA			
Credit Aktien	58.99	58.84	54.82
BELGIUM			
Belgian SE	157.73	157.74	133.87
CANADA			
Toronto			
Metals & Mins	1,878.4*	1,863.8	2,437.0
Composite	2,389.1	2,532.3	2,506.7
Montreal			
Portfolio	120.08	117.31	124.01
DENMARK			
Copenhagen SE	165.54	166.94	199.26
FRANCE			
CAC Gen	178.6	180.5	148.6
Ind. Tendance	118.9	120.4	94.8
WEST GERMANY			
FAZ-Aktien	372.2	369.69	340.91
Commerzbank	1,080.0	1,073.2	1,007.9
HONG KONG			
Hang Seng	1,166.13	1,166.42	860.77
ITALY			
Banca Comm.	223.84	219.89	187.88
NETHERLANDS			
ANP-CBS Gen	179.9	179.0	147.1
ANP-CBS Ind	143.7	143.5	121.5
NORWAY			
Oslo SE	282.53	281.03	212.19
SINGAPORE			
Straits Times	792.01	802.09	983.49
SOUTH AFRICA			
Golds	890.9	n/a	841.1
Industrials	922.8	n/a	935.6
SPAIN			
Madrid SE	141.65	139.85	119.48
SWEDEN			
J & P	1,338.00	1,322.54	1,475.44
SWITZERLAND			
Swiss Bank Ind	381.2	382.8	371.6
WORLD	Dec 17	Prev	Year ago
Capital Int'l	184.3	183.2	179.0

GOLD (per ounce)

	Dec 18	Prev
London	$309.25	$316.25
Zürich	$309.25	$315.00
Paris (fixing)	$307.85	$316.84
Luxembourg	$307.50	$316.25
New York (Dec)	$308.70	$314.00

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Dec 18	U.S. DOLLAR Previous	STERLING Dec 18	STERLING Previous
$	–	–	1.186	1.191
DM	3.087	3.089	3.66	3.6875
Yen	246.7	247.5	292.5	294.5
FFr	9.4575	9.4725	11.2225	11.3075
SwFr	2.522	2.549	3.0125	3.0375
Guilder	3.4855	3.4945	4.135	4.1625
Lira	1,899.0	1,901.5	2,253.5	2,271.0
BFr	62.0	62.2	73.5	74.15
C$	1.31805	1.32065	1.562	1.572

INTEREST RATES

	Dec 18	Prev
Euro-currencies (3-month offered rate)		
£	9⅞	9 13/16
SwFr	5 1/16	5 5/16
DM	5 9/16	5 11/16
FFr	10⅞	10 15/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 11/16	9
6-month U.S.$	9¼	9 5/16
U.S. Fed Funds	6¾	7⅛
U.S. 3-month CDs	8.25	8.45
U.S. 3-month T-bills	7.78	7.92

U.S BONDS

	Dec 18* Price	Dec 18* Yield	Prev Price	Prev Yield
Treasury				
10⅜ 1986	101	9.79	100 29/32	9.97
12¼ 1991	104 20/32	11.25	104 1/32	11.38
11⅝ 1994	101 25/32	11.30	101	11.50
11¾ 2014	103 5/32	11.35	102 15/32	11.47
Corporate				
AT & T				
10⅜ June 1990	95⅜	11.45	95⅜	11.45
3⅞ July 1990	73½	10.25	73½	10.25
8¾ May 2000	76⅝	12.18	76⅝	12.18
Xerox				
10¼ March 1993	93¾	11.70	93¾	11.70
Diamond Shamrock				
10⅞ May 1993	93	11.95	93	11.95
Federated Dept Stores				
10¾ May 2013	87⅞	12.15	87⅞	12.15
Abbot Lab				
11.80 Feb 2013	96	12.30	96	12.30
Alcoa				
12¾ Dec 2012	98	12.50	98	12.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	72-22	72-24	72-08	71-19
U.S. Treasury Bills (IMM) $1m points of 100%				
Mar	91.83	91.92	91.75	91.86
Certificates of Deposit (IMM) $1m points of 100%				
Mar	91.04	91.15	91.00	90.85
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	90.64	90.70	90.52	90.38
20-year Notional Gilt £50,000 32nds of 100%				
Mar	107-28	108-00	107-17	107-31

COMMODITIES

(London)	Dec 18	Prev
Silver (spot fixing)	534.50p	560.90p
Copper (cash)	£1,125.50	£1,105.75
Coffee (Jan)	£2,222.00	£2,241.50
Oil (spot Arabian Light)	$27.50	$27.475

LONDON

Reluctance to retreat from peaks

STERLING's fall to the worst ever level in exchange rate index terms effectively dampened investment enthusiasm in London stock markets yesterday.

Leading equities, however, showed a marked reluctance to retreat from their current record levels and even recently-beleagured government securities managed a good recovery from the session's lowest levels.

The FT Ordinary share index, which was marginally easier at all six inter-day calculations, closed a net 1.6 up on the day at a best-ever 939.9.

Gilt-edged quotations fluctuated nervously with longer-dated stocks moving from ¼ up to a net ½ down ahead of a marginally better than expected Public Sector Borrowing Requirement for November. Long dated gilts later regained their losses, while the shorts reduced falls to minimal amounts.

Chief price changes, Page 24; Details, Page 25; Share Information Service, Pages 27–29

HONG KONG

A LATE round of profit-taking erased early advances in Hong Kong although a continuation of demand by small investors cushioned the impact of institutional selling.

The Hang Seng index, up almost 6 points at the end of the morning session, ended 0.29 lower at 1,166.13 – bringing to a halt the rally which had seen the measure advance almost 50 points over the previous three trading sessions.

The consolidation was led by the recently favoured property sector, which featured Hutchison Whampoa, 10 cents lower at HK$17.20.

AUSTRALIA

A WEAKER tone was seen in Sydney with gold shares leading the decline in line with sharp falls in international bullion prices. The All Ordinaries index fell 6.2 to 708.1.

Trading was dominated by sales of Elders IXL shares which ended down 12 cents at A$3; the Bell Group confirmed that its subsidiary had sold 13.4m of the shares after the speculation last week that it was planning a takeover.

SINGAPORE

CONCERN over the future role of the Malaysian Chinese Association as part of the ruling National Front coalition undermined share values in Singapore.

The Straits Times industrial index fell back below the 800 level, down 10.08 at 792.28. Volume, however, remained thin, although falling issues outnumbered rises by 23 to 1.

United Overseas Bank was actively traded, shedding 6 cents to S$4.14 while Pahang dipped 2 cents to 99 cents

SOUTH AFRICA

GOLD shares closed easier in Johannesburg, in line with the lower international bullion price with Western Deep down R1.75 at R86.75.

Diamond share De Beers slipped 2 cents to close at R8.14, having recovered from a day's low of R8.05.

Mining and other financials were easier and industrials were also mostly lower after a quiet day.

CANADA

EXPECTATIONS of lower North American interest rates in the wake of prime rate cuts seen in the U.S., fuelled a sharp advance in share values in Toronto.

Gold stocks, however, under pressure from declining international bullion prices, continued their downward spiral.

In Montreal, however, shares were easier.

EUROPE

Lower rates underpin the banks

THE PROSPECT of lower U.S. prime rates buoyed most banking shares in Europe yesterday although many centres were closed before they could benefit from Wall Street's opening rally.

Bargain-hunters dominated thin **Frankfurt** trading as investors judged the time ripe to take advantage of some recent losses although the major institutions were noticeably absent. The Commerzbank index rose 6.8 to 1,080.0.

Porsche stormed through the DM 1,000 barrier with a DM 25 gain to DM 1,019, although movements of this scale are not uncommon for the car maker. Elsewhere, Daimler scored a DM 4.70 advance to DM 574.50 and VW edged DM 1.10 higher to DM 199.7 ahead of its profit forecast for 1984.

Linde led the engineering sector with its DM 10.40 gain to DM 389.40, while Deutsche Babcock earned a DM 1.80 gain to rise to DM 145.

Stronger banks saw Commerzbank move DM 2.20 up to DM 169.70 and Deutsche Bank finished DM 3 stronger at a close of DM 381. BHF, which made a strong showing in the previous session, moved against the trend with a 50 pfg decline to DM 277.

Lufthansa recouped the losses sustained on Monday with its DM 1.20 gain to DM 180.20, just below its high for the year.

The end of the December trading account prompted private investor sales in **Paris**, while stagnant domestic household consumption in November added to the bearish tone.

Foods suffered the most. Trading in Générale Biscuit was suspended as it hit a low of FFr 915, down FFr 78 from the previous session, while BSN moved near its low for the year with a FFr 20 drop to FFr 2,410. Lesieur, still facing a block into the Spanish edible oils market, hit a 1984 trough of FFr 845, a fall of FFr 32.

Banks proved one of the few bright spots although Credit Foncier de France slipped FFr 26 to FFr 625.

Matra lost all of its Monday gain by falling FFr 30 to FFr 1,745, while in cars Peugeot continued to encounter profit-taking after last week's gains.

A mixed to slightly higher **Brussels** saw scattered gains in most sectors. Non-ferrous metal stock Asturienne gained BFr 8 to BFr 912 following the reorganisation of Asturienne France, in which Vielle Montagne, BFr 130 down at BFr 5,160 will take a 51 per cent stake.

Petrofina continued to weaken in line with the uncertainty in world oil prices but yesterday's BFr 20 fall to BFr 6,990 took it below the BFr 7,000 for the first time in nearly a month.

Utilities, likely to benefit from lower interest rates, firmed with Intercom BFr 15 up at BFr 2,120 and Unerg BFr 20 higher at BFr 1,635. The stock exchange index slipped 0.01 to 157.73.

Banks made further progress in thin **Amsterdam** trading with ABN leading with its Fl 6.50 advance to Fl 363 and AmRo settling Fl 1.50 stronger at Fl 65.90.

Boskalis moved lower for the fourth straight session with a new fall of Fl 1.20 to Fl 14.10. KLM extended the gains made on Monday with an additional Fl 3.50 advance to Fl 46.60 – a high for the year – partly stemming from lower fuels cost expectations.

Nedlloyd fluctuated during the day with an early gain of 40 cents being reversed by the close to finish 80 cents down at Fl 160.60.

Bonds gained up to 20 basis points with most activity confined to professional traders.

End-of-year caution featured in a slightly weaker **Zurich** with some sharper price movements attributed to chance accumulations of orders.

Large banks fared well with Union Bank SwFr 5 up at SwFr 3,560 while Bank Leu resumed its recent downward trend with a SwFr 20 decline to SwFr 3,750.

Landis & Gyr moved SwFr 20 higher to SwFr 1,520 after last week's forecast while Hoffman La Roche hit another low for the year with a SwFr 375 drop to SwFr 86,000.

Nestlé held steady at SwFr 5,450 after its German buying spree while Swissair, SwFr 15 down at SwFr 1,005, moved against the recent trend among European airlines.

Steels were the only weak spot in a busy **Madrid** which saw banks recover more of their recent losses. Banco Hispano Americano firmed 5 points more to 182 per cent of nominal value and Banco Popular gained the same amount to 375 per cent.

Telefonica regained more confidence with a 1.8 point rise to 94 per cent.

Milan turned firmer near the finish with Mediobanca rising L1,200 to L65,600 and Fiat moved L4 higher to L2,029.

Stockholm recovered from an early decline with Volvo firming SKr 4 to SKr 249, although Swedish Match eased a further SKr 1 to SKr 249 after its joint venture with Rauma-Repola.

A mixed **Oslo** saw a measure of recovery in Norsk Hydro, up NKr 6.50 to NKr 101.50 ex-all.

TOKYO

Advance against the odds

DESPITE profit-taking in blue chip stocks and rapid turnover of incentive-backed issues, share prices closed slightly higher, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average fluctuated slightly for most of the day to finish 4.54 up at 11,400.21. Volume was 321.67m shares, up slightly from Monday's 289.29m. Falls outnumbered advances by 384 to 361, with 164 issues unchanged.

Blue chips had provided a glimmer of hope in Monday's otherwise dull market, but many weakened under profit-taking as many investors were unsure what stocks would be favoured in the new year.

Another dampener was continued net foreign selling. Overseas sell orders placed with the big four securities houses yesterday morning outpaced buy orders by 20m shares to 12.5m.

Although most quality issues lost strength, Asahi Glass continued to find buyers. Ranking sixth among the 10 most active stocks with 6.56m shares traded, it rose Y8 at one stage, but finished unchanged at Y920. Interest also focused on Casio Computer, which firmed Y10 to Y1,830; while Hitachi shed Y2 to Y880 and Pioneer Y60 to Y2,730.

Yamanouchi Pharmaceutical, which led Monday's advance in the sector slipped Y30 to Y2,020 on profit-taking. Other pharmaceuticals gained ground. Toyojozo added Y104 to Y1,060, Mochida Pharmaceutical moved up the maximum Y500 to Y10,700 and Dainippon Pharmaceutical rose Y110 to Y4,810.

Some speculative issues rallied sharply as uncertainty over the auditor's report on Nippon Lace's accounts, which had depressed speculative issues in recent days, was dispelled.

Kyokuyo, most active with 13.7m traded, led the rally and gained Y44 to Y308. Pacific Metals and Iino Kaiun, also on the active list, climbed Y30 to Y485 and Y74 to Y435, respectively.

The bond market surged on hopes in the U.S. credit market of a cut in the Federal Reserve discount rate. The yield on the benchmark 7.3 per cent government bond, due in December 1993, fell to the year's low of 6.535 per cent from Monday's 6.580 per cent. Many institutional investors were cautious about trading in bonds, however.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25½	15¼	AAR	.48	2.8	13	486	17¼	17	17	-½
30½	9⅜	AGS			8	185	10⅜	10¼	10¼	-⅛
22	13½	AMCA	1	6.9		305	14½	14	14½	+⅛
17⅞	13⅞	AMF	.50	3.4	61	284	14⅝	14½	14⅝	+⅛
41¼	24¼	AMR			6	16147	37¼	36	36¾	+1
20⅜	16⅜	AMR	pf2.18	11		21	19⅜	19	19¼	
41½	27½	AMR	pf2.13	5.7		1014	37⅝	36⅞	37¼	+¼
25¼	22⅞	ANR	pf2.67	11.		6	23¾	23½	23¾	-⅛
15⅝	8½	APL			3	16	11⅞	11¾	11¾	+⅛
71½	40¼	ARA	2.10	2.9	14	154	u71⅝	71⅛	71⅝	+¼
69¼	44¼	ASA	3	6.4		1955	47⅛	44⅞	46⅞	+1¼
30¼	16	AVX	.32	1.9	10	281	17½	17	17	-¼
48¼	36¼	AbtLab	1.20	2.9	13	3544	41⅞	41	41⅝	+⅛
23⅞	16½	AccoWd	s.44	2.0	19	366	22½	21¾	22½	+¼
27¼	12½	AcmeC	.40	3.0		178	14	13¼	13½	-¼
12⅛	8¼	AcmeE	.32b	3.6	13	6	9	9	9	+¼
18¾	15	AdaEx	2.11e	13		239	16½	16¼	16½	+¼
18⅞	11⅞	AdmMl	.32	2.1	8	18	15⅛	15	15⅛	
21½	8⅜	AdvSys	.81t	7.8	10	463	10¼	10⅛	10⅜	+¼
41⅞	25¼	AMD			13	6390	28¼	25⅝	28¼	+2⅞
14⅞	6⅞	Advest	.12	1.5		234	8	7⅞	8	+⅞
16¼	8¼	Aerflex			10	89	10⅜	10¼	10⅜	+⅛
39	27¼	AetnLf	2.64	7.2	31	3298	37	35⅞	36¾	+1
58¼	52⅛	AetL	pf5.87e	11		10	54⅜	54⅜	54⅜	-⅛
34½	15¾	Ahmns	1.20	4.5	12	2297	26½	25⅛	26⅜	+1⅛
5⅜	2⅞	Aileen				73	3	2⅞	2⅞	
48⅞	36½	AirPrd	1.20	2.5	10	2197	47½	46	47½	+1⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 23

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¾	3⅜	ADI	n		18	37	5	4⅝	4⅝	
3¼	⅞	ADI	wt			6	2	2	2	
15¾	6⅛	ALLab	n.20	2.1	9	35	9⅝	9½	9⅝	
13⅞	12	AMC	n .12	.9	10	21	12⅜	12⅜	12¾	+ ⅛
3¼	2⅜	AM	Ind			365	2⅝	2⅜	2½	+ ⅛
2⅞	⅝	ATI				91	⅝	⅝	⅝	−1-16
71¾	58	ATTFd	n5.82e	7.7		161	71½	70½	71⅛	+2⅜
6¼	2⅛	AcmePr			25	3	4⅛	4⅛	4⅛	+ ⅛
16⅝	8½	AcmeU	.32	3.2	11	60	10⅛	9⅞	10	+ ⅛
16⅞	9⅜	Action			95	323	14⅛	13⅝	14	+ ⅛
9⅛	3⅝	Acton				243	5⅛	5	5	− ⅛
3⅝	5-16	Actn	wt			27	11-16	9-16	11-16	+3-1
3⅞	1½	AdmRs			2	8	1½	1½	1½	
25½	15⅞	AdRusl	s.14	.6	18	134	23½	22¾	23½	− ⅛
24¼	15	Adobe	.24	1.5	11	72	16⅞	16	16½	+ ⅛
8⅞	4½	Aerono			8	108	7⅜	7	7⅜	+ ⅛
25⅝	16½	AflHsp	.44	2.3	8	8	19¼	19¼	19¼	− ⅛
50⅞	38½	AlbPub	.80	1.7	14	5	46¾	46	46¾	+ ½
9⅝	6	AirExp			9	11	7⅝	7⅝	7⅝	
5¼	2⅜	Alamco			6	41	2⅝	2½	2⅝	
14	6⅞	AlbaW	.16j		8	40	8	7⅞	7⅞	− ⅛
9½	6½	Alpha	.48r	7.1	1	44	6⅞	6⅝	6¾	
22¼	9½	Alphain	.05	.5	12	55	10½	10	10½	+ ⅛
1⅝	½	Altex				714	1	⅞	⅞	−1-16
⅜	⅛	Altex	wt			90	⅛	⅛	⅛	
34¼	29⅞	Alcoa	pf3.75	12.		z1000	31½	31¼	31½	− ¼
22	11	AlzaCp			47	114	18	17⅞	18	+ ⅛
20¼	9½	Amdahl	.20	1.5	17	2846	13⅞	12⅞	13½	+ ⅞
17	6½	Amedco	.08	.9		138	9	8½	8⅝	+ ⅝
9⅝	4	AmCap				52	4⅝	4½	4⅝	+ ⅛

Continued on Page 24

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 22

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
45	34⅜	Weyr	pf2.80	7.0		111	39⅞	38¾	39⅞	+1⅛
50⅞	43⅝	Weyr	pr4.50	9.3		82	48⅞	47⅞	48¾	+1⅛
92	74¼	WhelLE	5.75	7.2		z230	81	78⅞	80	+1
35⅞	13½	WhelPit				108	14⅝	13⅝	14⅝	+1½
43	31½	WhPit	pf 6	18.		z520	33	32½	32⅞	+ ⅛
38	29	WhPit	pf 5	17.		z320	29½	29	29	
50	36½	Whirlpl	2	4.5	9	1490	45	44	44⅞	+ ⅞
47⅞	24⅛	WhitC	1.50	5.2	9	1560	29⅛	28⅝	29	+ ⅛
41¾	17⅝	Whittenl			8	65	19⅝	19½	19⅝	+ ⅛
21¾	14½	Whittak	.60	2.8	6	1701	21½	20⅝	21½	+ ⅞
9	6⅛	Wiebldt			61	7	7⅛	7⅛	7⅛	

Continued on Page 24

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Dec. 18	Price Sch%	+ or —
Creditanstalt	226	—1
Goesser	329	
Interunfall	400	
Laenderbank	227	—1
Perlmooser	356	
Steyr-Daimler	164	+2
Veitscher Mag	245	+2

BELGIUM/LUXEMBOURG

Dec. 18	Price Frs.	+ or —
B.B.L.	1,875	+195
Banq. Int. A. Lux	5,500	
Bekaert B	4,500	+60
Ciment CBR	2,515	+10
Cockerill	268	—2
Delhaize	6,200	—150
EBES	2,860	
Electrobel	8,460	—190
Fabrique Nat	2,060	+10
GB Inno BM	3,175	
GBL (Brux)	2,075	—5
Gevaert	3,480	—80
Hoboken	6,130	+10
Intercom	2,120	+15
Kredietbank	7,570	
Pan Hldgs	9,700	—100
Petrofina	6,990	—20
Royale Belge	10,200	—200
Soc. Gen. Banq	3,420	—10
Soc. Gen. Belge	1,850	—5
Sofina	7,850	—50
Solvay	4,175	+55
Stanwick Intl	1,440	—10
Traction el.	4,070	—50
UCB	5,010	
Wagon Lits	2,490	—150

DENMARK

Dec. 18	Price Knr %	+ or —
Andelsbanken	278	—3
Baltic Skand	555	—5
CopHandelsbank	280	—2
D. Sukkerfab	605	
Danske Bank	282	
De Danske Luft	1,055	
East Asiatic	150	—7
Forenede Brygg.	790	
Forenede Damp.	57	—2
GNT Hldg	380	
I.S.S.B.	369	—15
Jyske Bank	499	+1
Novo Ind	1,335	—5
Privatbanken	238	—5
Provinsbanken	345	—3
Smidth (F)	227	
Sophus Berend	965	—15
Superfos	419	

FRANCE

Dec. 18	Price Frs.	+ or —
Emprunt 4½ 1973	1,650	—15
Emprunt 7% 1973	8,050	—60
Accor	235	—3
Air Liquide	552	—5
BIC	478	—16
Bongrain	1,650	—1
Bouygues	663	—12
BSN Gervais	2,410	—20
CIT-Alcatel	1,264	—26
Carrefour	1,800	—15
Club Mediter'n	1,025	—21
Cie Bancaire	670	+6
Cofimeg	240.4	—0.4
Damart	2,200	—89
Darty	1,150	—1
Dumez S.A.	642	—2
Eaux (Cie Gen)	531	—4
Elf-Aquitane	219.8	—2.2
Essilor	2,860	
Gen. Occidentale	631	—4
Imetal	75	—2
Lafarge Coppee	360.1	+2.1
L'Oreal	2,180	—56
Legrand	1,833	—17
Maisons Phenix	184	—7
Matra S.A.	1,745	—30
Michelin B	750	—7
Midi (Cie)	2,050	—50
Moet-Hennessy	1,804	—1
Moulinex	91.5	—0.2
Nord Est	69	—0.55
Pernod Ricard	733	—5
Perrier	482	—8
Petroles Fra	238	—3
Peugeot S.A.	244	—4.9
Printemp.Aus	187	—0.5
Radiotech	211	—10
Redote	1,189	—1
Rousel-Uclaf	1,530	—30
Sefimeg	285	—3.8
SkisRossignol	1,600	—100
Telemech Elect	2,205	—10
Thomson CSF	395	—3
Valeo	231	+7

GERMANY

Dec. 18	Price Dm.	+ or —
AEG-Telef	100.5	—2
Allianz Vers	972	+7
BASF	178.3	+1
Bayer	187.4	+1.1
Bayer-Hypo	323	+6
Bayer-Verein	327	+2
BHF-Bank	277	—0.5
BMW	368.5	+3.2
Brown Boveri	199.5	+4
Commerzbank	169.7	+2.2
Cont'l. Gummi	113.6	+0.7
Daimler-Benz	574.5	+4.7
Degussa	340	—1
D'sche Babcock	145	+1.8
Deutsche Bank	381	—3
Dresdner Bank	190	+1
GHH	147.4	—0.1
Hochtief	490	+4.5
Hoechst	183.2	+0.6
Hoesch Werke	97	+0.7
Holzmann (P)	389	+7
Horten	178	+0.5
Hussel	278	—1.5
Karstadt	224.5	+1.5
Kaufhof	224	—1
KHD	251.8	+2.3
Kloeckner	68	+0.9
Linde	389	+10.4
Lufthansa	180.2	+1.2
MAN	144.5	+1
Mannesmann	145.3	+2
Mercedes Hld	498	+5
Metallgesell	217.9	+2.7
Munech Rueck	1025	—20
Nixdorf	518.7	
Porsche	1,019	+25
Preussag	252.5	+4
Rhein West Elect	161.7	—0.1
Rosenthal	247.5	+0.5
Schering	427	+4.5
Siemens	456.3	+3.3
Thyssen	80.3	+0.4
Varta	174.5	+2.3
Veba	169.5	+1
V.E.W.	122	+0.3
Verein-West	293	—3
Volkswagen	199.7	+1.1

ITALY

Dec. 18	Price Lira	+ or —
Banca Com'le	15,100	—300
Bastogi-IRBS	145	—5
Centrale	2,145	—18
Credito Varesino	3,835	—25
Fiat	2,029	+4
Finsider	46.75	
Generali Assicur	33,590	—10
Invest	4,925	
Italcementi	65,300	—160
La Rinascenti	518	
Montedison	1,360	—5
Olivetti	6,800	+50
Pirelli Co	3,511	—9
Pirelli Spa	1,900	—15
Snia BPD	2,125	—5
Toro Assic	12,350	—25
do. Pref	8,250	

NETHERLANDS

Dec. 18	Price Fls	+ or —
ACF Holding	187.6	+1
AEGON	146.7	+1.2
Ahold	182	+2.5
AKZO	98.9	+1.8
ABN	363	+6.5
AMEV	196.7	+0.7
AMRO	65.9	+1.5
Bredero Cert	156	—1
Bos Kalis Westm.	14.1	—1.2
Buehrmann-Tet	74	—1
Calland Hldgs	32	+0.3
Dordtsche Pet'm	155	+1
Elsevier-NDU	116.8	+0.5
Fokker	82.5	—0.2
Gist Brocades	169.2	—1.9
Heineken	145	+2.2
Hoogovens	64.1	+1.9
Int Mueller	37.9	+2.7
KLM	46.6xc	+3.5
Naarden	47	+0.1
Nat Ned Cert	245.5	+1.5
Ned Mid Bank	146	+2.5
Nedlloyd	160.6	—0.8
Oce Grinten	281.5	+1.3
Ommeren (Van)	27.4	
Pakhoed	68	+2
Philips	55.1	+1.2
Robeco	68	+0.3
Rodamco	135.9	
Rolinco	62	+0.3
Rorento	43.7	+0.6
Royal Dutch	168.8	—1.2
Unilever	302	+3.1
VMF Stork	139.5	—0.5
VNU	204	—3
West Utr Bank	120.5	+1

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Dec. 18	Price Kroner	+ or —
Bergens Bank	159	
Borregaard	310	+4
Christiania Bank	157.5	—1
DenNorske Cred	166	—1.5
Elkem	107.5	—1.5
Kvaerner	162.5	—1.5
Norsk Data	356	—14
Norsk Hydro	161.5xa	+6.5
Storebrand	202	+8

SPAIN

Dec. 18	Price Pta %	+ or —
Bco Bilbao	325	
Bco Central	321	—4
Bco Exterior	207	+2
Bco Hispano	182	+3
Bco Popular	375	+5
Bco Santander	332	
Dragados	156	+1
Hidrola	79.2	—1.5
Iberduero	65.2	—3.5
Petroleos	145.5	—0.5
Telefonica	94	+1.8

SWEDEN

Dec. 18	Price Kronor	+ or —
AGA	358	—2
Alfa-Laval	197	+5
ASEA (Free)	335	+10
Astra (Free)	320	+10
Atlas Copco	96.5	+1.5
Cardo (Free)	245	
Cellulosa	178	
Electrolux B	236	+3
Ericsson	248	+4
Esselte	295	
Mo Och Domsjo	259	—3
Pharmacia	188	—2
Saab Scania Free	446	
Sandvik	330	
Skandia	280	—20
Skan Enskilda	120	—5
SKF	185	
St Kopparberg	229	+5
Sven Handelsbn	184	—8
Swedish Match	249	
Volvo B (Free)	217	+4

SWITZERLAND

Dec. 18	Price Frs.	+ or —
Aluisse	735	
Bank Leu	3,750	—20
Brown Boveri	1,375	—5
Ciba Geigy	2,415	—15
do. (Part Certs)	1,980	—10
Credit Suisse	2,330	
Elektrowatt	2,610	—25
Fischer (Geo)	605	+1
Hoff-Roche PtCts	86,000	—375
Hoff-Roche 1/10	8,600	—25
Jacobs Suchard	6,275	—50
Jelmoli	1,910	+10
Landis & Gyr	1,520	+20
Nestle	5,450	
Oer-Buehrle	1,310	—25
Pirelli	252	+1
Sandoz (Br)	6,950	
Sandoz (PtCts)	1,090	—16
Schindler (PtCts)	640	
Sika	1,040	
Surveillance	3,730	+35
Swissair	1,005	—15
Swiss Bank	355	—2
Swiss Reinsce	8,375	+75
Swiss Volksbk	1,465	—5
Union Bank	3,560	+5
Winterthur	3,300	
Zurich Ins	17,950	+25

AUSTRALIA

Dec 18	Price Aust $	+ or —
ANZ Group	5.00	
Alliance Oil Dev	1.05	
Ampol Pet	1.75	
Ashton	0.81	—0.02
Aust Cons Ind	1.79	+0.01
Aust. Guarantee	2.68	—0.07
Aust. Nat. Inds	2.35	
Aust. Paper	2.13	
Bell Group	5.30	—0.05
Bell Res	4	—0.25
Bond Corp Hldgs	1.17	
Boral	3.15	—0.01
Bougainville	1.54	—0.01
Brambles Inds	3.45	
Bridge Oil	2.20	—0.05
B.H. Prop	4.80	—0.08
CRA	4.72	—0.06
CSR	2.71	—0.05
Carlton Utd	4.30	
Castlemaine Tys	4.35	+0.05
Coles (G.J.)	3.8	—0.05
Comalco "A"	2	
Consolidated Pet	0.56	
Costain Aust	1.4	
Dunlop Aust	1.84	
Elders IXL	3.xc	—0.12
Energ Res	1.44	—0.01

AUSTRALIA (continued)

Dec 18	Price Aust $	+ or —
Gen Prop Trust	2.17	
Hardie (James)	3.1	—0.05
Hartogen Energy	2.35	—0.05
Herald W'yTimes	3.35	
ICI Aust	2	—0.02
Jimberlana F.P.	0.3	
Kia Ora Gold	0.11	—0.01
Lend Lease	5.2	—0.05
MIM	2.22	—0.04
Mayne Nickless	2.95	
Myer Emporium	1.7	—0.02
Nat. Aust. Bank	3.44	—0.01
News	9.44	—0.02
Nicholas Kiwi	2.14	
North Bkn Hill	1.44	—0.01
Oakbridge	2.01	
Pancont'l	0.97	—0.01
Pioneer Conc	1.5	—0.03
Poseidon	2.5	—0.05
Queensland Coal	1.09	—0.02
Reckitt & Coln	2.8	+0.1
Repco	1.11	—0.01
Santos	5.5	—0.02
Smith (Howard)	3.5	—0.02
Thos. Nat'wide	1.7	
Tooth	5.86	—0.01
Vamgas	3.05	—0.01
Western Mining	3.50	—0.05
Westpac Bank	3.83	
Woodside Petrol	1.3	—0.02
Woolworths	3.63	—0.02
Wormald Intl	3.02	

HONG KONG

Dec. 18	Price H.K. $	+ or —
Bank East Asia	22.8	—0.1
Cheung Kong	9.65	
China Light	11.9	
Evergo	1.56	—0.01
Hang Seng Bank	41.75	—0.25
HK Electric	6.5	
HK Kowloon Wh.	4.92	—0.02
HK Land	3.3	
HK Shanghai Bk	7.65	—0.1
HK Telephone	48.5	
Hutchison Wpa	17.2	—0.1
Jardine Math	8.65	—0.2
New World Dev	4.67	—0.15
Orient O'seas	2.77	—0.03
O'seas Trust Bk	2.97	
SHK Props	7.75	—0.15
Shell Elect	1.86	—0.01
Swire Pac A	21.3	
TV-B	4.65	—0.05
Wheel'k Mard A	3.63	—0.05
Wheel'k M'time	2.15	
World Int. Hldgs	1.59	—0.01

JAPAN

Dec. 18	Price Yen	+ or —
Ajinomoto	1,100	—10
Alps Electric	2,080	—10
Amada	1,150	
Asahi Chem	639	—8
Asahi Glass	920	
Bridgestone	545	
Canon	1,350	
Casio Comp	1,830	+10
Chugai Pharm	1,120	—10
Citizen	695	—4
Daiei	630	—1
Dai Nippon Ptg	1,000	—10
Daiwa House	565	+5
Ebara	344	—1
Eisai	1,370	+20
Fanuc	11,460	—190
Fuji Bank	1,200	—10
Fuji Film	1,680	—10
Fujisawa	951	—4
Fujitsu	1,360	—40
Green Cross	1,600	+30
Hasegawa	360	—2
Heiwa Real Est	570	—2
Hitachi	880	—2
Hitachi Credit	1,080	—10
Honda	1,220	—40
House Food	681	—6
Hoya	2,290	—280
Itoh (C)	310	—4
Ito. Yokado	2,630	—10
Iwatsu	1,430	—40
JACCS	336	+6
JAL	5,500	+200
Jusco	730	
Kajima	270	+3
Kao Soap	800	
Kashiyama	620	—3
Kirin	543	+7
Kokuyo	916	+1
Komatsu	447	+3
Konishiroku	597	—2
Kubota	323	
Kumagai	476	—7
Kyoto Ceramic	7,130	+40
Maeda Const	471	—3
Makino Milling	1,200	+10
Makita	1,030	+20
Marubeni	301	—1
Marudai	542	—3
Marui	1,180	—20
MEI	1,540	
M'ta Elec Works	646	+1
M'bishi Bank	1,210	
M'bishi	515	—4
M'bishi Elec	406	—2
M'bishi Estate	521	+6

JAPAN (continued)

Dec. 18	Price Yen	+ or —
MHI	251	—1
Mitsui Co	333	—9
Mitsui Estate	680	—5
Mitsukoshi	357	
NGK Insulators	985	—3
Nihon Cement	209	
Nippon Denso	1,460	—20
Nippon Elect	1,260	
Nippon Express	354	—4
Nippon Gakki	1,460	—20
Nippon Kokan	138	
Nippon Oil	900	—6
Nippon Seiko	665	+14
Nippon Shimpan	882	+7
Nippon Steel	149	+1
Nippon Suisan	335	—5
NTV	13,510	+10
Nippon Yusen	243	—2
Nissan Motor	620	
Nisshin Flour	485	—5
Nisshin Steel	166	
Nomura	811	—1
Olympus	1,160	
Orient Leasing	3,550	—20
Pioneer	2,730	—60
Renown	650	—12
Ricoh	989	
Sankyo	910	
Sanyo Elect	460	
Sapporo	392	
Sekisui Prefab	870	—8
Seven Eleven	9,100	
Sharp	1,120	
Shimadzu	610	
Shionogi	688	+6
Shiseido	1,100	—20
Sony	3,700	—30
Stanley	910	—5
S'tomo Bank	1,660	—10
S'tomo Elect	640	
S'tomo Marine	540	—12
S'tomo Metal	140	—1
Taihei Dengyo	525	—20
Taisei Corp	230	
Taisho Pharm	820	—10
Takeda	746	—4
TDK	5,110	—40
Teijin	433	—15
Tokyo Marine	705	
Tokyo Elect Pwr	1,490	—10
Tokyo Gas	135	
Tokyo Sanyo	686	—12
Tokyo Style	720	—12
Tokyo Corp	305	+16
Toppan Print	878	
Toray	420	—3
Toshiba Elect	433	—4
TOTO	515	—5
Toyo Seikan	800	—13
Toyota Motor	1,300	—20
Victor	1,960	—40
Yamaha	780	—15
Yamanouchi	2,020	—60
Yamazaki	715	—1
Yasuda Fire	324	—2
Yokogawa Bdge	478	—20

SINGAPORE

Dec. 18	Price $	+ or —
Boustead Hldgs	1.61	—0.06
Cold Storage	2.51	—0.06
DBS	5.8xa	
Genting	4.84	+0.05
Haw Par. Bros	2.0	—0.02
Hong Leong Fin.	3.1	—0.02
Inchcape Bhd.	2.43	—0.02
Keppel Shipyard	1.58	—0.04
Malay Banking	5.5	—0.1
Malay Utd. Ind	2.34	—0.05
Multi Purpose	0.92	—0.02
OCBC	8.9	—0.05
OUB	3.86	—0.02
Public Bank	1.67	—0.04
Sime Darby	1.83	
Straits Trdg	4.58	—0.08
Tat Lee Bk.	2.92	—0.01
UOB	4.14	—0.06

SOUTH AFRICA

Dec 18	Price Rand	+ or —
Abercom	1.35	
AE&CI	7.7	—0.25
Anglo Am Coal	39.5	—0.5
Anglo Am Corp	21.5	
Anglo Am Gold	160	+0.5
Barclays Bank	17	—0.5
Barlow Rand	10.4	—0.05
Buffels	63.5	—3.5
CNA Gallo	2.6	
Currie Finance	4.4	
De Beers	8.14	—0.02
Driefontein	45.5	—1
FS Geduld	42.65	—0.5
Gold Fields SA	24.75	—0.75
Highveld Steel	3.5	—0.05
Nedbank	11.5	—0.25
OK Bazaars	15	—0.15
Protea Hldns	1.6	
Rembrandt	29	—0.5
Rennies	14.25	
Rust Plat	14.5	
Sage Hldgs	7.3	+0.05
SA Brews	6.85	
Smith (CG)	22	—0.5
Tongaat Hulett	1	
Unisec	6	—0.1

CANADA

TORONTO

Closing prices December 18

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices December 18

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total sales 2,931,825 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

Chief price changes

(In pence unless otherwise indicated)

RISES

Assoc Brit Ports	180	+11
Brown (M)	238	+18
Burgess Prod	122	+12
Chapman Inds	240	+22
Courtaulds	129	+5
Dixons Group	529	+15
Extel	290	+30
Hanson Trust	297	+7
ICI	740	+10
Ivory & Sime	85	+9
Jaguar	322	+15
Lloyds Bank	525	+12
Metal Box	400	+16
RHM	125	+7
Redfearn	68	+14
Siebe	495	+23
Trident TV/A	176	+9
Whessoe	102	+14

FALLS

Ex. 2½ 87	£67⅞	—£⅞
Aeronaut & Gen.	330	—15
Buffels	£28¼	—£2¾
East Rand	644	—70
Falcon Res	193	—10
Harris Queensw.	212	—14
Impala Platinum	873	—35
Johnson Clean	413	—15
Lucas Inds	257	—5
Oliver Pros	175	—15
Samuel Prop	149	—5
Whim Creek	138	—12

Continued on Page 25

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK CLOSING PRICES

Continued from Page 23

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 24

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Section letters printed in the listing: H—H, I—I, J—J, K—K, L—L, M—M, N—N, O—O, P—Q, R—R, S—S, T—T, U—U, V—V, W—W, X—Y—Z

Stock	Sales (Hnds)	High	Low	Last	Chng
Kinder s .08	1732	15	13¾	15	+1⅛
Koss	28	1½	1¼	1¼	-¼
Kroy .06	898	13½	12	13	+¾
Krugr s .32	841	13⅞	12⅝	13¾	+¼
Kulicke .16	2390	23	21⅝	22⅝	+1½
L—L					
LDBrnk	167	8¼	7¾	8¼	+¼
LIN	99	7¼	7⅛	7¼	+⅛

Indices

NEW YORK-DOW JONES

	Dec 18	Dec 17	Dec 14	Dec 13	Dec 12	Dec 11	1984 High	1984 Low	Since Compilation High	Since Compilation Low
Industrials	1,211.57	1,176.79	1,175.81	1,168.84	1,175.13	1,178.33	1286.64 (6/1)	1086.57 (24/7)	1287.20 (19/11/83)	41.22 (2/7/32)
Transport	554.25	539.86	534.99	529.61	538.78	526.24	612.63 (9/1)	444.03 (25/7)	612.63 (9/1/84)	12.32 (8/7/32)
Utilities	149.83	146.77	144.58	144.34	144.80	144.54	146.39 (8/11)	122.25 (15/6)	163.72 (20/4/69)	10.5 (28/4/42)
Trading vol	-	88.49m	85m	80m	78.71m	80.24m	–	–	–	–

	Dec 14	Dec 7	Nov 30	Year Ago (Approx)
Ind Div Yield %	4.98	5.04	4.92	4.54

STANDARD AND POORS

	Dec 18	Dec 17	Dec 14	Dec 13	Dec 12	Dec 11	1984 High	1984 Low	Since Compilation High	Since Compilation Low
Industrials	187.35	182.41	181.52	180.57	181.88	182.31	191.48 (6/11)	157.74 (24/7)	194.84 (10/10/83)	3.62 (30/6/32)
Composite	168.11	163.6	162.68	161.81	162.63	163.07	170.41 (6/11)	147.82 (24/7)	172.15 (10/10/83)	4.40 (1/6/32)

	Nov 28	Nov 14	Nov 7	Year Ago (Approx)
Ind div yield %	4.12	4.07	3.95	3.72
Ind. P/E Ratio	10.60	10.59	10.89	14.43
Long Gov Bond Yield	11.37	11.71	11.57	11.49

N.Y.S.E ALL COMMON

Dec 18	Dec 17	Dec 14	Dec 13	1984 High	1984 Low
96.78	94.43	93.92	93.42	98.12 (6/11)	85.13 (24/7)

RISES AND FALLS

	Dec 17	Dec 14	Dec 13
Issues traded	2,014	2,014	2,001
Rises	925	910	674
Falls	640	601	800
Unchanged	449	503	527

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
ATT	1,970,700	18¾	+ ⅛
Allied CP	1,593,300	35⅞	+ ¼
Phil Pete	1,490,100	52⅝	− 1½
IBM	1,488,500	121⅞	+ 2⅝
AMR Corp	1,383,000	36⅞	+ ⅝
Ford Motor	1,206,600	46⅝	+ ⅞
Exxon	1,202,000	44⅜	+ ⅛
Comw ED	1,176,400	28¼	+ 1
Gen Motors	1,158,800	77	+ 1⅛
Disney	1,095,600	59⅛	+ 1⅛

Advances 1,315 Declines 372

TORONTO

	Dec 18	Dec 17	Dec 14	Dec 13	1984 High	1984 Low
Metals & Minls	1,878.4*	1,863.6	1,858.7	1,852.8	2524.4 (12/1)	1641.2 (25/7)
Composite	2,389.1	2,352.3	2,345.2	2,337.4	2585.7 (6/1)	2079.7 (24/7)
MONTREAL Portfolio	120.88	118.13	117.09	118.48	126.83 (10/1)	100.36 (24/7)

* Indicates pre-close figure

	Dec. 18	Dec. 17	Dec. 14	Dec. 13	1984 High	1984 Low
AUSTRALIA						
All Ord. (1/1/80)	708.1	714.5	718.7	718.4	787.9 (9/1)	546.5 (18/6)
Metals & Minls. (1/1/80)	394.9	401.5	406.1	406	567.4 (5/1)	401.5 (17/12)
AUSTRIA						
Credit Aktien (2/1/62)	58.99	58.84	58.69	58.64	58.99 (18/12)	53.20 (15/8)
BELGIUM						
Belgian SE (31/12/63)	157.75	157.74	157.71	158.22	165.08 (25/10)	135.28 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	165.54	166.94	167.20	166.95	225.21 (20/1)	161.79 (17/10)
FRANCE						
CAC General (31/12/82)	178.6	180.5	180.7	180.8	185.0 (26/10)	155.6 (3/1)
Ind Tendance (30/12/83)	118.9	120.4	120.7	120.2	121.7 (26/11)	99.4 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	372.20	369.69	372.29	364.39	377.44 (4/12)	317.17 (25/7)
Commerzbank (1/12/53)	1080.0	1075.2	1077.6	1064.5	1102.7 (4/12)	917.7 (25/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1166.13	1166.42	1142.09	1126.49	1170.35 (19/3)	746.02 (13/7)
ITALY						
Banca Comm Ital. (1972)	225.84	219.69	219.69	214.73	229.57 (1/2)	192.06 (2/1)
JAPAN**						
Nikkei Dow (16/5/49)	11480.2	11455.7	11419.1	11340.0	11577.4 (4/12)	9703.35 (23/7)
Tokyo SE New (4/1/68)	890.71	890.94	883.60	879.65	890.94 (17/12)	730.45 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	178.9	179.0	178.1	178.5	182.1 (22/10)	146.8 (25/7)
ANP-CBS Indust (1970)	145.7	145.5	142.7	142.5	147.2 (1/2)	118.7 (18/6)
NORWAY						
Oslo SE (4/1/83)	282.52	281.05	283.86	286.05	296.70 (9/5)	221.67 (4/1)
SINGAPORE						
Straits Times (1966)	792.01	802.09	804.68	805.05	1071.91 (8/2)	785.26 (21/11)
SOUTH AFRICA						
Gold (1958)	(u)	(u)	947.3	969.9	1099.0 (14/11)	738.1 (24/1)
Industrial (1958)	(u)	(u)	931.9	943.6	1105.3 (26/3)	853.5 (19/8)
SPAIN						
Madrid SE (30/12/83)	141.65	139.85	138.66	138.18	154.51 (8/10)	102.02 (3/1)
SWEDEN						
Jacobson & P. (1/1/58)	1538.0	1532.54	1542.50	1558.86	1594.5 (5/2)	1302.99 (22/11)
SWITZERLAND						
SwissBank Cpn. (31/12/58)	381.2	382.8	381.9	382.9	388.5 (3/1)	354.5 (25/7)
WORLD						
Capital Intl. (1/1/70)	—	184.3	182.2	182.5	190.6 (5/5)	155.2 (14/12)

**Saturday December 15 Japan Nikkei Dow 11,400.7, TSE 886.24. Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. (u) Unavailable.

APPOINTMENTS

Reorganisation at Raybeck

RAYBECK has made the following board changes: **Mr Ben Raven**, in addition to his functions as chairman, is now group managing director and **Mr Alfred Simons** is now responsible for the group's manufacturing division. **Mr Leonard Druckman**, who was recently appointed chief executive of the ladies retail division, has joined the board. **Mr Ian Horwood**, who for the past six years has been finance director of Harris Queensway, has joined the board as director with special responsibility for finance.

★

Management changes have been made by BRITISH CALEDONIAN AIRWAYS following the civil aviation review and the decision to transfer Saudi Arabian routes to the airline. **Mr Ron Cook**, former general manager eastern and European routes, has become general manager eastern routes, with responsibility for routes to Saudi Arabia, the Gulf and Hong Kong. He also assumes control of all overseas operations with online and offline markets in the Middle East, Indian subcontinent, Far East and Australasia. **Mr Richard Havers**, general manager domestics, becomes general manager European routes and takes over responsibility for all European routes, and controls overseas operations and online and offline markets in Europe. He continues to retain responsibility for domestic and commuter routes.

★

Mr Andrew Meyrick has been appointed managing director of CCA MICRO RENTALS. Previously he served as group financial director of the Ash Group. **Mr Graham Hallett** has been made director of sales and marketing. His previous position was with RSB Systems for which he served as managing director.

★

Mr Derek Evans has been appointed chief executive of TYRRELL COMMUNICATIONS. He was recently seconded as chief executive to Mercury Communications by Cable and Wireless.

★

HARRIS QUEENSWAY has made the following board appointments from January 1: **Mr James Cook** to be group finance director and **Mr Keith Beattie** to be group personnel director.

★

NOVAMARK has appointed **Mr Jeremy Fowler**, previously chief executive of Aidcom International, as deputy chairman with special responsibility for business strategy and the public flotation, planned for the first half of 1986.

★

Mr David Alford, past president of the Aluminium Federation, has become a non-executive director and chairman of DEESIDE ALUMINIUM. Other non-executive appointments to the board are **Mr P. A. Woodrow**, of Development Capital Group, **Mr S. J. Smith**, of Charterhouse Business Expansion Fund, and **Mr M. J. W. Sellers**, of Singer and Friedlander.

★

Mr. Derek Childs has been appointed managing director of PITTSBURGH CORNING UK. The company markets Foamglas cellular glass insulation and is a subsidiary of the Pittsburgh Corning Corporation. He was general manager.

★

Mr Arthur R. W. Large leaves BL early next year to take over as chief executive of RAC MOTORING SERVICES and RAC INSURANCE BROKERS. After appointments with BL's truck and bus divisions, he became company secretary in 1978, playing an active part in BL's resurgence and the subsequent programme to return BL operations to the private sector.

Mr Arthur R. W. Large, chief executive RAC Motoring Services

★

FISONS pharmaceutical division has made two board appointments. **Mr Trevor Smith** becomes personnel and administration director and **Mr Martin Hindle** marketing director. Mr Smith joins head office in Ipswich where he was group personnel manager. Mr Hindle was president director general of the division's French operations.

★

R. F. DEVELOPMENT COMPANY has appointed **Mr A. S. Cheeseman** as managing director from January 1. He joins from Boreham Securities, where he was managing director. **Mr H. G. Allen**, current managing director, becomes chairman.

★

Mr A. J. Seymour has been appointed director of REDFEARN NATIONAL GLASS. He is managing director of RN Plastics, a wholly-owned subsidiary.

★

Mr Peter Tomlinson will be resigning as managing director of REACON RADIO from January 1 and will be succeeded by **Mr Robert Pierson**, currently deputy managing director and programme controller.

★

Former British Lion and England rugby international **Mr David Duckham** has joined the TERN GROUP as a director for marketing and sales. He will spearhead the development of Tern Western, a division of Constructors Tern, which will be based in Swindon. He was a director of the Espley-Tyas construction group.

★

Mr Gerald Pratt has joined HARBEN SYSTEMS as managing director. Mr Pratt was a senior executive at the Mining Research and Development Establishment of the National Coal Board, where his responsibilities included the development of specialised high pressure pumping systems.

★

SIBEC DEVELOPMENTS has appointed **Mr Dermot Power** the finance director.

CONTRACTS

£14m defence order for Graseby

GRASEBY DYNAMICS, a defence contractor in Cambridge Electronic Industries Group, has been awarded a contract for initial production worth over £14m to supply the MoD with a chemical agent monitor, CAM. CAM, based on research work carried out by Government R and D establishments was designed, developed and underwent initial trials in less than three years. During development Graseby was able to draw on its experience in the detection of explosive gas vapours and had scientific and technical input from Government departments.

★

MATTHEW HALL ENGINEERING has signed a contract worth around £11m with Shell UK Exploration and Production, operating in the North Sea on behalf of Shell and Esso, for the conceptual design of the topside facilities of its Eider platform. The platform will be located in Block 211/16, 150 km north east of the Shetland Islands in 157 metres of water. It will have facilities for oil/gas/water separation, produced water treatment/disposal, oil dehydration, and metering together with drilling facilities and utilities. Accommodation will be provided for 90 persons.

★

Major contracts amounting to £3.5m have been placed with **MORCEAU HOLDINGS**. Work includes: sprayed Fendolite Mk II on Barrow-in-Furness gas gathering plant terminal; Vicuclad board to Centre Court, Wimbledon; and intumescent paint for new facilities at Senior Service for Gallaher. Work is also due to commence for Wimpey Construction UK on protection for the Daily Telegraph building on the Isle of Dogs.

★

HADEN SCWEITZER CORPORATION, the U.S. industrial finishing subsidiary of Haden, has been awarded a £4.28m order for the design and construction of a wash and paint system for front end truck parts at the General Motors' truck and bus plant in Pontiac, Michigan. The sysetem will include a Hydrospin paint spray booth with a pumped Hydropac waste paint disposal system. The equipment is scheduled to be commissioned in March 1985.

★

WESTLAND HELICOPTERS has won a £5m contract, for which payment has already been received, to supply the Nigerian Government with a purpose-built helicopter shore base, completing a turnkey project which includes the sale of Lynx helicopters, training of flight crew and service personnel, as well as support on location for at least two years. The base is to be built at Navytown, near Ojo, some 10 miles from Lagos, with units supplied in modules to be put up on the 150,000 square metre site. The modular buildings are being made by Giltspur Technologies, Southampton.

★

General Motors in the U.S. has placed multiple orders worth over £6.5m with the **BUTLER NEWALL MACHINE TOOL CO**, part of the B. Elliott Group. The orders are for the "Camtronic" fully CNC cam-shaft grinder, which is manufactured at the company's Keighley plant. The machine, which has taken 3½ years to develop, incorporates advances in cam form grinding technology developed by the company.

★

Mr Irvine Simpson has been appointed company secretary of THE MORGAN CRUCIBLE COMPANY, following the retirement of **Mr Adrian Davis**. Mr Simpson was previously group manager—legal affairs.

FT COMMERCIAL LAW REPORTS

Insurance premium claim fails to justify ship's arrest

GATOIL INTERNATIONAL INC v ARKWRIGHT-BOSTON MANUFACTURERS MUTUAL INSURANCE COMPANY AND OTHERS

House of Lords (Lord Fraser of Tullybelton, Lord Scarman, Lord Wilberforce, Lord Keith of Kinkel and Lord Roskill): December 13 1984

ARREST OF a ship in proceedings allegedly arising out of an "agreement relating to carriage of goods in any ship" is invalid in both Scotland and England if there is not a sufficiently direct connection between the contract which is the subject of the claim and carriage of the goods; and where the claim arises out of an agreement to pay cargo insurance premiums the arrest is unjustified in that there is insufficient connection between that agreement and the actual carriage.

* * *

The House of Lords so held when allowing an appeal by Gatoil International Inc, in its action against Arkwright-Boston Manufacturers Mutual Insurance Company and others ("the insurers"), from a decision by the Second Division of the Inner House of the Court of Session, that the insurers' arrestment of a ship, the Sandrina, was incompetent in proceedings arising out of an insurance contract.

★

Provisions relating to Scotland in the Administration of Justice Act 1956 permit, by section 47, the arrest of a ship owned by a defender to any claim arising out of "(2) . . . (e) any agreement relating to the carriage of goods in any ship whether by charterparty or otherwise."

★

LORD KEITH said that the insurers raised an action against Gatoil, claiming payment of premiums on an insurance policy which they said was effected over a cargo of oil shipped from Iran.

In order to found jurisdiction over Gatoil and to obtain security for their claim, they arrested the Sandrina lying in the Shetland Islands, on February 24, 1984.

It was assumed for present purposes that Gatoil was the owner. There was no question of the Sandrina, or any other ship owned by Gatoil, having been concerned with carriage of the oil cargo.

Gatoil then raised an action against the insurers, seeking recall of the arrestments. Gatoil denied ownership and pleaded that the arrestment was incompetent because the insurers' claim was not one of those specified in section 47(2) of the Administration of Justice Act 1956.

Sheriff Russell, sitting at Aberdeen, allowed a proof on the matter of ownership and held that on a proper construction of section 47(2)(e) the insurers' claim fell within its terms. His decision was affirmed by the *Second Division of the Inner House*, which gave leave to appeal to the House of Lords.

The 1956 Act was passed for the principal purpose of enabling the UK to ratify and comply with the international obligations under the International Convention Relating to the Arrest of Seagoing Ships, signed on its behalf at Brussels in 1952.

Section 47(2)(e) of the Act followed verbatim the terms of the corresponding paragraph in the Convention, as did section 47(2)(d)—"any agreement relating to the use or hire of a ship whether by charterparty or otherwise."

In section 1(1)(h) of the Act, relating to England, those two heads of claim were rolled up together—"any claim arising out of any agreement relating to the carriage of goods in any ship or to the use or hire of a ship."

In the *Eschersheim [1976] 1 WLR 430* the House of Lords held that an agreement for salvage services fell within 1(1)(h) because the rendering of those services involved the use *of a* salvage vessel. Lord Diplock said that the words "an agreement relating to the use or hire of a ship," when given their ordinary wide meaning, included the salvage agreement.

In the *Sonia S [1983] 2 Lloyd's Rep 63* it was held that an agreement for the hire by shipowners of containers to be used by their customers for packing goods carried on their ships was within section 20(2)(h) of the Supreme Court Act 1981, which re-enacted section 1(1) of the 1956 Act.

There was one Scottish decision directly in point, the *Aifanourios [1980] SC 346*. There Lord Wylie held that a contract of marine insurance over ship and cargo did not come within section 47(1)(d) or (e).

He said at page 349 that "any agreement relating to the use . . . of a ship" had to be construed in the light of other provisions in the subsection as a whole. They included claims arising out of the supply of goods to a ship, construction, repair or equipment of a ship and liability for dock charges, to take but a few examples.

If the provisions of section 47(1)(d) fell to be readily construed, said Lord Wylie, it was difficult to see how any of them could fail to come within the ambit of "relating to the use of a ship." Accordingly, he said, "a more restricted construction is called for than that which, in isolation, the words might otherwise bear."

Where provisions relating to England and Scotland in the 1956 Act could be identified as having a common derivation from particular provisions of the Convention, they should be interpreted alike in each jurisdiction, if that could be done without undue straining of the language. Sections 1(1)(h) and 47(2)(d) and (e) were in that category, deriving as they did from article 1(1)(d) and (e) of the Convention.

It was necessary to attribute due significance to the circumstances that the paragraphs spoke of an agreement "in relation to," not "for," the carriage of goods in a ship and the use or hire of a ship.

The meaning must be wider than would be conveyed by "for." It would, on the other hand, be unreasonable to infer from the words actually used, "in relation to," that it was intended to be sufficient that the agreement in issue should be in some way connected, however remotely, with the carriage of goods in a ship or with the use or hire of a ship.

There was much force in Lord Wylie's view as to the inference to be drawn from the presence of certain other paragraphs in section 47 (2). There must be some reasonably direct connection with such activities.

An agreement for the cancellation of a contract for the carriage of goods in a ship or for use or hire of a ship would show a sufficiently direct connection. It was unnecessary to speculate on what other cases might be covered.

Each case would require to be decided on its own facts. The contract of insurance in the present case was not connected with the carriage of goods in a ship in a sufficiently direct sense to be capable of coming within paragraph (e).

In the *Sonia S* there was likewise an insufficiently direct connection between the agreement for the hire of containers and the carriage of goods in a ship. The containers were not a ship. That decision was wrong and should be overruled.

Gatoil argued that, should 47(2)(e) be ambiguous, regard should be had to the *travaux préparatoires* for the Convention.

Since any ambiguity could be resolved on a proper construction of 47(2)(e), it was unnecessary to deal with that branch of Gatoil's argument.

The appeal should be allowed.

LORD WILBERFORCE agreeing that the appeal should be allowed, said that the solution by interpretation could be reinforced by resort to *travaux préparatoires*.

In *Fothergill [1981] AC 251* it was suggested that two conditions must be fulfilled before *travaux préparatoires* could be used (cautiously): that the material was public and accessible; and that it clearly and indisputably pointed to a definite legislative intentino.

The case for resorting to the *travaux* in the present case was strong. The 1956 Act was enacted to give effect to UK obligations consequent on its accession to the Convention, and in particular to displace in Scotland the wide common law powers of arrestment in favour of statutory provisions which were narrower and precisely defined.

The proceedings of the conference which led to the Convention were public and accessible. They showed that the conference decided not to include premia on policies among the maritime claims justifying arrest because it was considered unnecessary as a matter of policy.

Interpretation of the Act was legitimately aided by consideration of that extrinsic material. With that reinforcement the appeal must be allowed and the arrestment recalled.

Lord Fraser, Lord Scarman and Lord Roskill agreed with both speeches.

For Gatoil: Gordon Pollock QC and A. Johnson (Ince and Co.).

For the insurers: J. Murray QC and M. G. Clarke Adv (Sinclair Roche and Temperley).

By Rachel Davies
Barrister

Contracts & Tenders

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE
(Algerian Popular Democratic Republic)
MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES ET PETROCHIMIQUES
(Ministry for Energy and Chemical and Petrochemical Industries)
ENTERPRISE NATIONALE DES TRAVAUX PUITS
(National Oil Exploration Company)

NOTICE OF NATIONAL AND INTERNATIONAL CALL FOR TENDERS NUMBER: 2050.1M/AD

The National Oil Exploration Company is launching a National and International call for tenders for the supply of the following equipment:
—Safety footwear

This call for tenders is intended for Manufacturing Companies only and excludes amalgamations, representatives of companies and any other intermediaries etc, in conformity with the provisions of the Law No. 78.02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.

Tenderers interested in this Call for Tenders may obtain the specifications from the following address: Entreprise Nationale des Travaux aux Puits (E.N.T.P.), Base les Vergers, Birkhadem, ALGIERS, ALGERIA, Direction desApprovisionnements (Supplies Division), with effect from the date on which this notice is published.

Offers, of which five (05) copies should be prepared, must be sent in a double-sealed envelope, by registered mail, to the Secrétariat de la Direction Approvisionnements (Secretariat, Supplies Division).

The outer envelope should not bear any mark that might identify the tenderer or any heading, and should read:

"APPEL D'OFFRES NATIONAL ET INTERNATIONAL NUMERO 2050.1M/AD—CONFIDENTIAL—A NE PAS OUVRIR" (NATIONAL AND INTERNATIONAL CALL FOR TENDERS No. 2050.1M/AD—CONFIDENTIAL—DO NOT OPEN).

Tenders must be received by 12.00 noon on Saturday 2 February 1985 at the latest.

Selection will be made within 180 days of the closing date of this Call for Tenders.

MARKET REPORT

Sterling weakness dampens enthusiasm but equity leaders attain peak levels late

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 10	Dec 20	Dec 21	Jan 7
Dec 24	Jan 10	Jan 11	Jan 21
Jan 14	Jan 24	Jan 25	Feb 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

Sterling's fall to the worst ever level in trade weighted terms effectively dampened investment enthusiasm in London stock markets yesterday. Leading equities, however, showed a marked reluctance to retreat from their current record levels and even recently-beluaguered Government securities managed a good recovery from the session's lowest levels.

The oil-weakened pound gave many traders cause to expect a technical reaction following the equity market's recent sustained advance. On the positive side, though, lower U.S. Prime lending rates were welcomed and it was hoped that the Federal Reserve Board would soon cut its key Discount rate.

Dealers encountered scattered offerings but not in sufficient size to warrant any major setback and, with buyers later showing a renewed but highly selective interest, values soon steadied. Turnover generally was moderate but business improved in the late afternoon awaiting the U.S. financial market's opening.

Wall Street began in a blaze of strength — the Dow Jones index was 13 points up in the first hour — and London was heartened in the after-hours' trade. Currently fashionable ICI led other favourites higher and the FT Ordinary share index, which was marginally easier at all six inter-day calculations, closed a net 1.6 up on the day at a best-ever 939.9.

Pulled between the ailing pound and stronger U.S. bond prices, Government stocks looked to the LIFFE market for guidance. The tone there was just as unsettled and Gilt-edged quotations fluctuated nervously with longer-dated stocks moving from ¼ up to a net ¼ down ahead of the November PSBR announcement. Following last week's sharp rise in money supply, analysts' estimates had been increased so a PSBR of £1.84bn was marginally better than expected. The news rekindled buying interest and long Gilts later regained their losses, while the shorts reduced their falls to minimal amounts.

Banks firm

A squeeze on bear positions helped the major clearing banks stage a revival after a period of inactivity. Lloyds, 12 up at 525p, fared best, while Barclays, 555p, and NatWest, 585p, both improved 7. Midland were only a couple of pence dearer at 370p, after 373p. Discount Houses drifted lower on lack of interest with recent takeover favourite Clive slipping a couple of pence to 70p.

A firm and active sector in the wake of BAT Industries' £664m agreed bid for Hambro Life, Insurances displayed small irregular movements as excitement cooled. Pearl rose 7 afresh to 980p, but Legal and General slipped 5 to 550p. Sun Life continued to attract buyers and firmed 9 more to 774p and Refuge gained 7 to 585p. Equity and Law, however, shed 5 to 268p following the interim dividend announcement. Lloyds brokers drew selective support on sterling/dollar influences.

British Telecom continued to trade actively, but further small public sales were easily absorbed and the price settled only a fraction cheaper at 101½p.

The prospect of an expansion southwards by Scottish and Newcastle stimulated some excitement among recently-lacklustre regional Breweries. Blackburn-based Matthew Brown were viewed as the most likely target and consequently spurted 16 to 238p. Wolverhampton and Dudley improved 4 to 264p, while Vaux, helped by a recommendation from de Zoete and Bevan, hardened 2 more to 253p. The leaders showed scant change on the overnight levels; Whitbread eased the turn to 314p folowing the acquisition of the outstanding 45 per cent of Highland Distillers of California for $7.8m.

The underlying trend in the Building sector remained firm and the leaders made further modest progress. Elsewhere, Henderson Group firmed 4 afresh to 272p in a restricted market, but May and Hassell continued to reflect the disappointing interim results and shed 5 to 94p.

ICI, up 60 over the last three trading sessions in the wake of its major U.S. acquisition, paused for breath before moving ahead strongly on early Wall Street influences to touch a record 742p prior to closing a net 10 up at 740p. Laporte moved up 8 to a 1984 peak of 400p, while Brent Chemicals firmed 3 to 104p.

Dixons rise afresh

Stores again proved to be one of the better corners of the market as investors displayed renewed enthusiasm for the sector on Christmas spending prospects. Gussies "A" featured with a gain of 14 to 697p, while Burton hardened a few pence more to 403p. Woolworth eased 5 to 578p as 5.28m shares were easily placed as just under 570p per share on behalf of the Hollingbery family. Dixons attracted revived support and spurted 15 to 529p, with Currys a similar amount up at 599p, amid vague talk of a bid for the combined group from Bats. In contrast, Harris Queensway encountered selling and fell 14 to 212p. Combined Eng. remained in demand and rose 5 for a two-day gain of 9 at 95p.

Leading Electricals were inclined a few pence easier. Elsewhere, renewed support in a restricted market left Lec Refrigeration up 15 more at 335p, while Zygal Dynamics rallied 5 to 40p after the Monday's setback on the half-year loss.

Leading Engineers were usuall only a few pence better, but TI staged a useful rally and closed 8 to the good at 234p. Elsewhere, Whessoe responded smartly to favourable comment on the results iwth a rise of 14 to 102p. Also reflecting trading statements, Brown and Tawse improved 5 to 128p and J. and H. B. Jackson 2 to 58p. Burgess Products, which announced a capital reorganisation recently, encountered fresh support and rose 12 to 122p.

Bid speculation revived strongly in the Food sector with Ranks Hovis McDougall figuring prominently; RHM attracted aggressive buying and, in a market short of stock, the price surged forward to close 7 higher at a year's peak of 125p. Other possible bid candidates to attract support included United Biscuits, up 3 at 189p, and Rowntree Mackintosh, 4 firmer at 378p. S. and W. Berisford met with late demand and rose 5 to 188p, but Unigate, still reflecting the disappointing interim figures, shed 3 more to 145p. Among Food Retailers, Argyll remained a firm counter and rose 4 to 262p, but Associated Dairies shed that much, to 158p. Batleys of Yorkshire moved up 6 to 82p, while Watson and Philip firmed 4 to 94p, the latter following near-doubled annual profits.

Intasun were unchanged at 115p following its decision to pull out of the bidding for Comfor Hotels and sell its 14.95 per cent stake to Ladbroke; the latter, which is now in a strong position regarding its own bid for Comfort, rose 4 to 261p.

Metal Box good again

Metal Box were a strong market, rising 16 more to 400p on renewed domestic and U.S. demand in a market none too well supplied with stock; talk continued about the potential growth for the group's plastic containers, but the company has also been suggested as a possible bid target of Hanson Trust. Helped by the early improvement on Wall Street, other leading miscellaneous industrials traded a few pence firmer in the late dealings. Hanson Trust put on 7 to 297p, which makes its share exchange offer for Powell Duffryn, unaltered at 405p, worth 396p per share. Comment on the preliminary figures prompted a further rise of 14 to 68p in Redfearn National Glass, while Siebe, up 23 at 495p, responded afresh to the good interim results. Extel, 30 better at 290p in a difficult market, continued its recent recovery movement and Associated British Ports, 11 higher at 180p, also tok a turn for the better. Steetley met with sporadic demand and put on 9 to 280p. Satisfactory half-year figures left Halma 10 to the good at 207p, but Johnson Group Cleaners encountered further selling and lost 15 more to 413p pending the outcome of the bid situation. Up to 138p at one stage, Read Executive met with profit-taking after the interim figures and closed 3 lower on the day at 127p.

Casino concerns made a bright showing in the wake of excellent annual results from Trident TV, 9 higher at 176p.

Motors again lacked a decided trend. The cautious tenor of the chairman's statement at Monday's AGM prompted fresh selling of Lucas Industries, which dipped 5 for a two-day decline of 10 to 257p. Jaguar, on the other hand, attracted steady support, much of which was rumoured to be from U.S. sources, and finished 5 to the good at 222p.

Among Properties, Samuel shed 5 to 149p following news of property acquisitions worth £7m to be funded by the issue of some 4.9m shares.

Textiles made modest progress under the lead of Courtaulds, 5 better at 129p. Tootal firmed a couple of pence to a 1984 peak of 69p following Press comment which reiterated the company's potential as a takeover target. Earlys of Witney were also wanted and touched 63p before settling a net 3 dearer at 60p; Courtaulds recently sold its entire 30.6 per cent stake in Earlys to unquoted investment concern Clayhithe. Albert Martin rose 5 to 54p in belated response to an investment recommendation.

Hard on the heels of its £664m agreed bid for Hambro Life Assurance, BAT Industries again pleased by revealing the sale of its cosmetic operations to Beecham for £125m; the announcement brought a "buy" recommendation from brokers de Zoete and Bevan and Bats touched a new high of 352p before settling a net 5 up at 345p. Beecham eased a couple of pence to 373p, after 370p.

Atlanta Investment Trust rose 4 to 139p, after 142p, following revised bid terms from Grovebell, unchanged at 16¾p. Financials traded quietly and price changes were usually minimal, but Ivory and Sime attracted renewed speculative demand and advanced 9 more to 85p.

Oils nervous

Oils remained a highly nervous market ahead of today's OPEC meeting in Geneva. BP were marginally easier at 478p at the outset but subsequently edged up to close unaltered at 480p while a strong performance by Royal Dutch — up ½ to £40¾ — encouraged support for Shell which hardened 5 to 640p. Britoil touched 208p and 200p before settling a net 2 off at 203p, while LASMO, initially sold down to 318p, rallied to close 5 up at 325p.

Burmah were initially buoyed by continuing bid speculation and rose to a year's best of 240p but came under sizeable selling pressure after-hours to close 3 lower on balance at 230p.

In Irish stocks Oliver Prospecting fell back to 170p but picked up to close 15 down on balance at 175p following news that the company is participating in two bidding groups applying for offshore exploration licences in the UK ninth round.

Golds under pressure

South African gold and related issues endured another painful session but were showing signs of a recovery movement after a second day of heavy losses.

Substantial U.S. selling overnight, following the sizeable falls registered in London on Monday, prompted jobbers to mark Golds down at the outset of trading. Thereafter, modest support was forthcoming from the Continent — mainly Switzerland and Germany — and prices rallied modestly to close above the day's lowest levels.

The bullion price fell sharply in early trading, dipping to around $305.5 at one point, but subsequently rallied to close a net $7 down at $309.25 — a two-day fall of $13.25.

Registering its fourth consecutive double-figure loss, the Gold Mines index gave up 15.5 to 452.2.

Financials weakened in line with Golds but closed above the day's lowest levels. In the South African sector Anglo American Corporation gave up 20 to a year's low of 930p and Gencor touched £10½ prior to ending the day ¼ off at £10¼. Minorco eased 10 to 530p and De Beers lost 5 at a 1984 low point of 354p.

London issues were more resilient but still closed with widespread falls. RTZ dropped 7 to 555p, after 582p and Charter settled 5 easier at 177p. Hampton Areas fell a like amount to a low of 150p on further consideration of the interim results.

Demand for Traded Options improved afresh and total contracts struck amounted to 10,819. The FT-SE 100 accounted for 846 calls and 153 puts. Once again, attention centred on British Telecom which attracted another lively two-way business and recorded 2,213 calls and 2,552 puts; 1,440 puts were done in the February 90's. Jaguar attracted 515 calls, the December 200's and 220's accounting for 214 and 205 trades respectively. The December series expires today.

FT-Actuaries year-end changes

AT THE YEAR-END review of the FT-Actuaries indices, it was decided to discontinue the Other Consumer (39) and Discount Houses (63) subsections with effect from January 2, 1985.

The seven constituents currently in group 39—Peter Black Holdings, Chamberlain Phipps, Friedland Doggart, Lec Refrigeration, Silentnight Holdings, Valor and Wedgwood—will be reclassified into groups 46 (Miscellaneous) and 41.

Cater Allen Holdings, Clive Discount, Gerrard and National, King and Shaxson, Smith St Aubyn (Holdings) and Union Discount, all current constituents of group 63, will be transferred to subsection 70 (Other Financial).

New Year reclassifications are also planned for J. Bibby and Sons, from 21, 25 (Food Manufacturing) to 41, 46 (Miscellaneous), Guest Keen and Nettlefolds, from 08 (Metals and Metal Forming to 09 (Motors) and UEI, from 10 (Other Industrial Materials) to 05 (Electronics).

FINANCIAL TIMES STOCK INDICES

	Dec. 18	Dec. 17	Dec. 14	Dec. 13	Dec. 12	Dec. 11	year ago
Government Secs.	82.26	83.30	82.34	82.58	82.91	83.15	82.70
Fixed Interest	85.78	85.79	85.79	85.95	86.09	86.12	85.96
Ordinary	939.9	938.3	935.4	927.6	922.3	930.1	769.8
Gold Mines	452.2	467.7	504.0	517.5	531.6	529.8	570.1
Ord. Div. Yield	4.58	4.59	4.61	4.64	4.66	4.62	4.59
Earnings, Yld.% (full)	11.63	11.63	11.67	11.76	11.88	11.80	9.37
P/E Ratio (net) (*)	10.32	10.32	10.29	10.21	10.10	10.17	13.02
Total bargains (Est.)	26,711	27,343	27,921	29,435	32,528	31,221	21,180
Equity turnover £m.	—	434.77	436.93	353.94	371.89	405.72	211.59
Equity bargains	—	32,840	33,894	37,595	44,106	41,900	15,848
Shares traded (ml)	—	237.4	246.3	234.4	259.4	266.5	136.3

10 am 937.8. 11 am 937.1. Noon 937.1. 1 pm 937.1.
2 pm 937.1. 3 pm 937.4.

Basis 100 Govt. Secs. 15/1/28. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=9.87

HIGHS AND LOWS / S.E. ACTIVITY

—	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low		Dec. 18	Dec. 14
Govt. Sec.	83.77 (9/1)	75.72 (30/7)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	147.5	137.7
Fixed Int.	87.48 (14/3)	80.43 (30/7)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	212.4	219.6
					Value	878.8	883.1
Ordinary	939.9 (18/12)	755.3 (25/7)	939.9 (18/12/84)	49.4 (26/6/40)	5-day Average Gilt Edged Bargains	137.3	134.6
Gold Mines	711.7 (3/3)	452.2 (18/12)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	246.6	237.5
					Value	810.2	776.9

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 17	Jan 4	Mar 21	Apr 1
Jan 7	Jan 18	Apr 11	Apr 22
Jan 21	Feb 1	Apr 25	May 7

For rate indications see end of Share Information Service

Money was given for the call of Polly Peck, British Telecom, Feedex Agricultural Industries, Metal Sciences, Petranol, Amalgamated Estates, Barratt Developments, Arthur Guinness, BSG International, Combined Technologies, Falcon Resources, Commercial Union, Gestetner "A." Oliver Prospecting, MIM Holdings and Microvitec. Puts were arranged in A.B. Electronic Products and Abaco, while a double was taken out in Mersey Docks.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	7	48
Corpns. Dom. and Foreign Bonds	14	17	42
Industrials	314	187	927
Financial and Prop.	106	88	349
Oils	12	31	84
Plantations	2	1	14
Mines	8	91	78
Others	104	42	56
Totals	609	464	1,598

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or –	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or –
[illegible]							

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or –
[illegible]							

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (162)

COM'WEALTH & AFRICAN LOANS (2), AMERICANS (24), CANADIANS (3), BANKS (5), BEERS (4), BUILDINGS (6), CHEMICALS (10), STORES (14), ELECTRICALS (5), ENGINEERING (7), FOODS (8), HOTELS (2), INDUSTRIALS (25), INSURANCE (11), LEISURE (1), MOTORS (1), NEWSPAPERS (1), PAPER (5), PROPERTY (3), SHIPPING (1), TEXTILES (2), TOBACCOS (1), TRUSTS (17), OVERSEAS TRADERS (1)

NEW LOWS (42)

AMERICANS (1) Union Carbide; CANADIANS (3); NEWSPAPERS (1) Portsmouth Sund'land; SOUTH AFRICANS (1) Messina; OILS (1) Petro Energy, Breakwater Res., Pecos Resources, Intl. Corona; ELECTRICALS (1) Wordplex; INDUSTRIALS (1) Dominion Intl.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Bat Inds	346	+5
British Telecom	101½	–½
Burmah Oil	230	–3
Cons Gold Fields	480	—
Hanson Trust	297	+7
ICI	740	+10
Ladbroke	261	+4
Marshall's Universal	81	—
Metal Box	400	+16
RHM	125	+7
Redfearn Nat Glass	68	+14
Shell Trans	640	+5

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
ICI	25	730	+20
BAT Inds	24	340	+7
Falcon Res	15	203	+12
Equity & Law	14	273	+5
Lucas Inds	14	252	–5
Powell Duffryn	14	405	–15
Legal & Gen	12	555	–2
Brit Telecom	11	102	+1½
Hepworth (J.)	11	63	+6
Jhnsn Cleaners	11	428	–12
App'd Computer	10	25	–3
Glaxo	10	£10⅞	+¼
Ladbroke	10	257	+8
Prudential	10	503	+10

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Dec 18 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Mon Dec 17 Index No.	Fri Dec 14 Index No.	Thur Dec 13 Index No.	Wed Dec 12 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (205)	552.21	–0.1	9.61	3.79	13.04	552.59	551.29	547.60	544.78	462.92
[illegible]										

FIXED INTEREST

PRICE INDICES	Tues Dec 18	Day's change %	Mon Dec 17	xd adj. today	xd adj. 1984 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Tues Dec 18	Mon Dec 17	Year ago (approx.)
[illegible]			

BRITISH GOVERNMENT INDEX-LINKED STOCKS

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.
* Corrected figures December 17 1984.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$300	28	15	—	—	—	—	$309.40
GOLD C	$320	—	—	—	—	23	19	"
GOLD C	$325	65	5.20 A	30	10	—	—	"
GOLD C	$350	100	1.80	20	4.90	—	—	"
GOLD C	$360	—	—	—	—	15	7	"
GOLD C	$375	—	—	5	1.80	—	—	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 25,826.

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
B.P. (*480)	390	95	100	—	2	[illegible]	[illegible]
	420	65	70	—	3	[illegible]	[illegible]
	460	35	43	48	6	[illegible]	[illegible]
	500	10	23	27	35	[illegible]	[illegible]
	550	2	10	—	75	[illegible]	[illegible]
Cons. Gold (*477)	460	36	45	57	8	[illegible]	[illegible]
	500	11	28	37	32	[illegible]	[illegible]
	550	5½	14	22	80	[illegible]	[illegible]
	600	1	—	—	130	[illegible]	[illegible]
	650	1	—	—	180	[illegible]	[illegible]
Courtaulds (*129)	110	20	22	24	2	[illegible]	[illegible]
	120	11	15	16	3	[illegible]	[illegible]
	130	9	8	11½	6	[illegible]	[illegible]
	140	2	4	5	14	[illegible]	[illegible]
[illegible]							

Dec. 18. Total contracts 10,819. Calls 7,050. Puts 3,769.
* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP AND LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا منة الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ∅ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	90	......	Arnott	148	......
Craig & Rose £1	£11	......	CPI Hldgs	49xd	......
Finlay Pkg. 5p	42	......	Carroll Inds.	198	+7

OPTIONS — 3-month call rates

GUS 'A'	55	Trust Houses	12	Lonrho	14
Guardian	58	Turner Newall	9	Rio T Zinc	60
GKN	16	Unilever	80		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 33

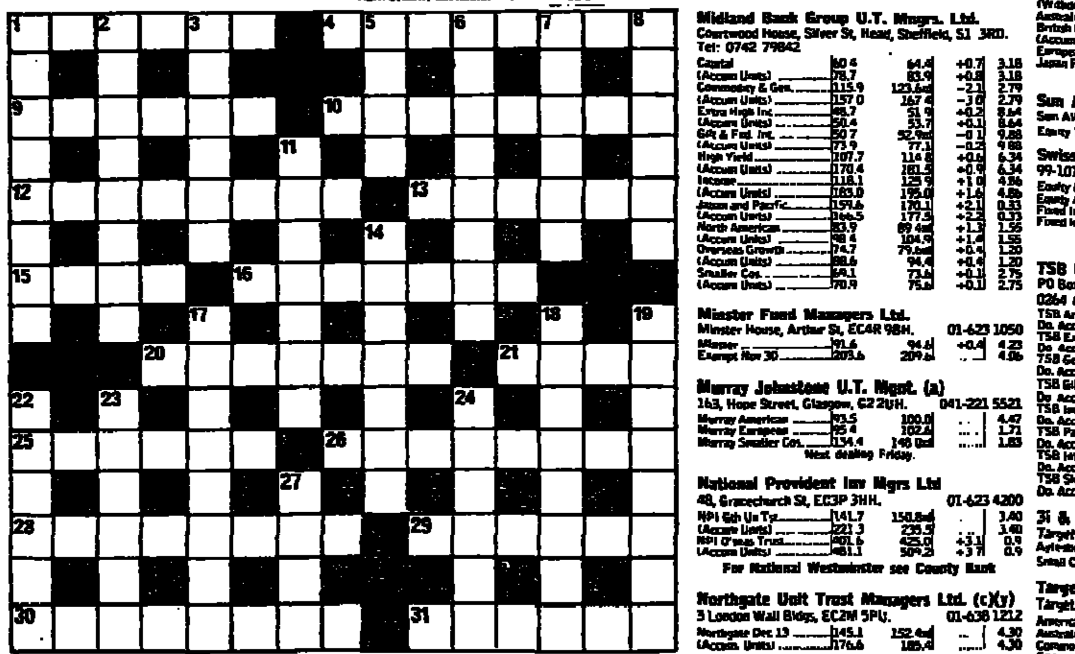
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE NO. 5,599



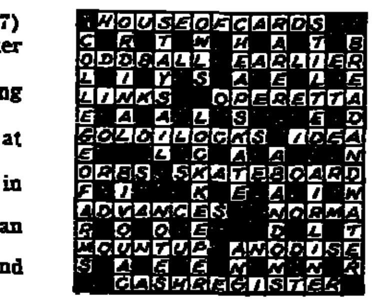
ACROSS

1 Loose, full-length coat in daily use (6)
4 Constriction with vestige of what is seen off Mortlake? (8)
9 Infallible indication from Carole Twist (6)
10 Insect that infects swimmers? (5-3)
12 Only top-drawer types should engage in it (8)
13 *Storm damage?* (6)
15 It takes a lot to become a singer (4)
16 Galatea, for example, holding right high station (7)
20 Sketch not allowed on railway (7)
21 Place on potter's table (4)
25 Oil mixed in French wine—what a fiddle! (6)
26 Is conductor on it at Euston? (8)
28 Arrange "The Ring" as work for soloist and orchestra (8)
29 A case of giving (6)
30 Patient having to learn, perhaps, to take time (8)
31 Stick notice in this position (6)

DOWN

1 Relinquish ambition to get score at Twickenham (4-4)
2 Stand still and eat gnats, unusually (8)
3 Cake that goes like lightning abroad? (6)
5 Ring friend in Stone (4)
6 People in this gear hit trees, unfortunately (3-5)
7 Fellow on watch (6)
8 High fliers get good scores, of course (6)
11 Jet engineer to shave with a knife (7)
14 Glowing by the fireside (7)
17 Christian, yes, but dissenter in the main (8)
18 Stand up to it inside, going in different dierctions (8)
19 Running out of stock, all at once (8)
22 Bird using middle voice in Latin? (6)
23 Dogwood leaves American university unfinished (6)
24 Capital way to run aground (6)
27 Such a shock—crackers going up (4)

Solution to Puzzle No 5,598



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Gilt&OgtFd	£1.20	1.26	+0.01	5.00
U.S. & Opt	$0.94	0.99	+0.01	—

World Wide Growth Management
10a Boulevard Royal, Luxembourg.
Inv Adv. M & G Inv Mngt Ltd, London.

WwoGthFd	$11.21	—	−0.05	—

Wren Commodity Management Ltd
10 St George St, Douglas, IoM. 0624 25015

Wren Com Fd	12.7	13.2	−0.1	3.10
Chinese Fd	58.8	61.2	−1.2	1.70
PrecMetFd	80.3	83.6	−4.2	8.30
VangCmdyFd	22.8	23.4	−0.7	—
FinFuturesFd	32.4	33.8	....	—

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.

Dynamic Grw Fd	$9.13	....	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St. EC4B 4ST. 01-236 0952				
Call Fund	8.85	9.06	6mth	Call
7-day Fund	9.36	9.60	6mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St. EC4N 6AE. 01-236 1425				
Call Fund	8.43	8.60	6mth	Call
7-day Fund	8.97	9.17	3mth	Call
MnyMgAc	8.375	8.64	6mth	Call
Dollar	6.96	7.08	6mth	2-day

Money Market Bank Accounts

	Nom	Apr	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
TreasuryAcc	9.375	9.71	Qtr	Call
Mth Int Chq	9.25	9.65	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	9.25	9.65	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton. 0604 252891				
High Int Chq	9.25	9.57	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circ. EC2M 5QL. 01-555 2777				
Cater Allen	9.00	9.38	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	9.00	9.381	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Marks	5.0	5.116	Mth	Call
Swiss Franc	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Choulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW. 061-829 9011				
Cheque Acc	9.75	10.20	Mth	Call
Co-operative Bank				
78-80 Cornhill, EC3. 01-626 6543 Ext 465				
Under£1,000	8.00	8.24	Qtr	Call
Over £1 000	10.00	10.38	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon, TQ9 6JE. 0803 862271				
MnyMktAcc	9.50	A9.84	Qtr	Call
Henderson/Bank of Scotland				
38 Threadneedle St, EC2. 01-628 8060				
MyMtChqAc	9.25	9.65	Mth	Call
Lombard North Central plc				
17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	9.75	10.12	Rate	14-day
M & G Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
HighIntChqAc	9.30	9.74	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	9.30	9.62	Qtr	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford, RM1 3LB. 0708 66966				
HighIntMktAc	8.80	9.20	Daily	Call
Premier Acc	8.80	9.20	Daily	Call
Tyndall & Co				
29 33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	9.11	9.45	Qtr	Call
Money Acc	9.375	9.71	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth. 0705 827733				
Special Acc	8.90	9.27	Mth	Call
Over£10,000	9.15	9.54	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices include all expenses if bought through managers. z Previous day's price. ♦ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◇ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Potato futures fall sharply

BY ANDREW GOWERS, AGRICULTURAL STAFF

POTOTA PRICES prices fell sharply in London yesterday as the Potato Marketing Board failed to agree on emergency measures to deal with a UK surplus which could be approaching 1m tonnes.

The board revised its estimate for this year's yield upwards to 37.7 tonnes per hectare, which would indicate a crop of 6.98m tonnes, more than 220,000 tonnes larger than its previous projection.

At the same time, its executive committee rejected a proposal to raise th eminimum saleable potato size from its current level of 40 mm, following growers' opposition.

Two weeks ago the board proposed raising the minimum size, or "riddle," to 50mm, which it estimated would have taken 300,000 tonnes off the market.

Growers, however, resisted increasing it to more than 45mm, and Scottish farmers campaigned against an increase on the grounds it would damge the Scottish seed-potato industry by encouraging English growers to use their rejected potatoes for seed.

Exasperated officials said the board did not feel it could act without total support from growers, for whom a riddle increase would amount to an additional levy. "What do you do with people who don't want to help themselves?" one official asked.

The board's failure to agree wiped £3.30 off the April contract in active futures trading. The contract closed at £59.60 per tonne.

Brokers said the market was depressed particularly by the lack of any indication that the board had other options to support it in reserve.

It has already contracted to buy 448,000 tonnes in a market support scheme and is pressing the Ministry of Agriculture for funds to buy a further 52,000.

The Government, however, which officials say faces a bill of about £17m as a result of the board's current commitments, appears unwilling to stump up more.

Some observers believe the price will now drift further down to a point where the Government will be forced to step in with a costly programme of deficiency payments.

If the price averages £44 a tonne for the entire season, the Government is obliged to intervene in this way.

Agriculture Ministry officials, however, expressed scepticism as to whether the trigger price would be reached. They said the price would need to be below £35 a tonne for the rest of the season for this to happen.

Gold price falls again

BY JOHN EDWARDS, COMMODITIES EDITOR

GOLD FELL to another 2½-year low yesterday after further selling pressure, especially from the Far East overnight. The London bullion spot price closed $7 down at $309.25 an ounce, after falling to a low point of $308 in early trading.

A steadier opening in early trading on the New York (Comex) market helped London prices recover slightly, encouraged by speculative buying interest at the lower levels.

The market remains extremely nervous, however, waiting to see whether prices barrier. This would probably break through the $300-an-ounce trigger further heavy burst of stop-loss selling.

Traders said the market could come under more pressure if the continued strength of the U.S. dollar and low inflation in the industrialised world were maintained.

The decline in gold pushed silver and free-market platinum prices to new lows as well. The London bullion spot price for silver was cut by 16p to 534.50p an ounce at the morning fixing—the lowest level since October 1982.

The London free-market platinum price fell by $4.50 to $295 an ounce.

Japanese aluminium smelter to close

NIPPON LIGHT METAL, Japan's biggest aluminium company, will close its Tomakomai smelter from April following a government call for a cut in the country's refining capacity.

The smelter has an annual production capacity of 72,000 tonnes but is producing about 10,000 tonnes a year only.

● *EEC AID totalling £2.7m* has been awarded to 59 British projects for the construction and modernisation of fishing vessels and the development of fish farming.

● *BRAZIL may have to import* between 1m and 1.5m tonnes of rice (husk basis) in the 1985-1986 (March-February) marketing year to make up production shortfalls and low carry-over stocks, the weekly Safras and Mercado newsletter said.

Production is estimated at 9.3m tonnes to 9.2m tonnes, giving an average 8.75m tonnes against the previous year's 9m. Consumption is put at 9.65m tonnes against 9.55m tonnes previously and carry-over stocks at a critically low 150,000 tonnes.

● PAKISTAN cotton traders predict a bumper crop this season (September-May) following last year's disappointing 3m bales. Mr Zahid Bashir, president of the Karachi Cotton Association, said cotton production may exceed the official target of 5.2m bales (375 lb each) and official agencies have said production could reach *5.7m bales.*

● JAPANESE refined sugar output from imported raws is estimated at 217,700 tonnes in January-March, down from an earlier estimate of 260,000 tonnes, according to the Agriculture Ministry's sugar supply/demand outlook.

The estimate had been cut because that for refined sugar output from domestic sugar cane and beet had been increased to 358,400 tonnes from 350,200 tonnes, it explained.

● A DELEGATION of UK meat manufacturers and pig and poultry producers has urged the UK Government to work for a cut in EEC cereal support prices in next year's Common Agricultural Policy (CAP) farm price-fixing round.

Sultana shortage will bolster premiums

BY A SPECIAL CORRESPONDENT

FAILURE OF one kind or another can usually be relie: on to hit at least one country's sultana crop each year, leaving the market better for those spared.

This year, however, production is down all round, the three principal exporters, Greece, Turkey and Australia, reporting *tonnages 20 per cent to 25 per* cent lower for 1984-85 than those of the previous season.

Buying is quickening as the prospect of shortage grows. In the past few weeks Australia's stocks have shrunk to fewer than 5,000 tonnes, and these will almost certainly have been sold before the next season opens in March.

The Australian lapse comes after three years in which *yields were high. Though frost* did some damage the factor that counted most was that the vines were tired and needed a rest, which they are taking this season. Quality, however, is unimpaired.

Greece likewise harvested less fruit this season, with a crop of about 70,000 tonnes instead of the usual 90,000 tonnes or so, and the berries on the vines were smaller, lowering quality.

Turkey, the other big Mediterranean supplier, whose harvests usually approach 100,000 tonnes, *this year* gathered 70,000 tonnes only.

Australia, which considers the quality of its sultanas to be unmatched, has received a spate of orders from around the world, including, besides the UK, Canada, Algeria, West Germany, Japan and New Zealand.

For Australia and Turkey the shortage provides respite from the MIP (Minimum Import Price) applied by the EEC *to protect Greeǥ exports* within the Community. The MIP was raised by 7.4 per cent last September and now stands at £693 a tonne, below which imports from outside the EEC incur a penalty of $150 (£126) a tonne.

With demand pushing rates up beyond £700 the MIP is for now irrelevant, though it will tend to chase the market price upwards because the measure adopted two years ago to help Greece unlod a surplus also provides a means of reducing Greek demands on EEC funds.

In the market now shaping, quality stands to be rewarded more generously than usual. Every national outlet contains na elite of buyers who insist on quality and are ready to pay for it, but when supplies are abundant some of the best fruit is inevitably lumped with lower grades and sells for less than its worth.

From now until prospects for the next crop become clear well into next year, however, light top quality sultanas of the kind in which Australia specialises will receive their premium in full.

On the UK market Australia badly needs such reward as it no longer enjoys the quantitative monopoly it had before Britain joined the EEC. Greece has inherited this, today supplying half Britain's dried fruit imports where once the proportion was about a fifth.

Another bonus for exporters, especially of quality products, is that British consumption, after having long been static, is growing again. Between 1980-1983 imports of sultanas and raisins swelled from about 60,000 tonnes to 70,000 tonnes. The figure for next year looks like being higher still.

The surge of inquiry it attributed largely to health-consciousness, which is doing so much to change eating patterns in Britain. While cakes and puddings are losing ground, the gap is being more than filled by the growth of interest in muesli, salads, curries and other dishes that are gaining popularity and taking dried fruits with them.

Dutch propose levy on manure output

BY LAURA RAUN IN AMSTERDAM

A MANURE levy for The Netherlands has been proposed by Mr Gerrit Braks, the Dutch Agricultural Minister, to try to arrest the mounting environmental problem of too much animal manure in the country.

Each year 18m tons of manure is left after farmers haul away, recycle and dump the animal dung on their and, says the Agricuture Ministry. This growing manure mountain is conceded, even by farmers, to pose *environmental hazards fod* the soil, water and air.

Mr Brak's proposal, however, follows closely on the heels of draft legislation that would ban the establishment of new pig- and poultry-farms and the expansion of most for two years.

The draft proposals were aimed also at curbing the production of manure, which contains high amounts of nitrates, phosphates and heavy metals such as cadmium and copper. More recently the minister said he was considering measures to combat the environmental damage done by copper and cadmium, which are *concentrated in animal fodder.*

Mr Braks's draft legislation on pig—and poultry—farms, announced on November 2, came as a rude shock to the animal husbandry industry though a government-sponsored commission has been investigating the manure problem for some time.

North Brabant Christian Farmers Union (NCB), the largest agricultural union in the Netherlands, opposes the pig and poultry ban but has not yet determined how much financial loss might be suffered bv breeders.

Mr Jan te Veldhuis, a Liberal MP, says the Agriculture Ministry failed to prove exactly what damage the excess manure has done to the environment.

The NCB, which acknowledges the dung problem, has proposed three solutions: a levy for each individual farmer, a levy based on the quantity of surplus manure per farm, or payment to the so-called manure bank, where some surplus waste already is deposited.

The draft legislation, which has been debated in the second chamber, would take effect retroactively to November if it passes the Senate. The exact date of implementation, however, is being argued still. Mr Brak's proposal for a manure levy would not take effect until after 1986, when two new soil-protection and manure-treatment laws are enacted.

The minister says the pig and poultry ban is not intended to hurt farmers and he notes that some exceptions for expansion will be allowed.

Selected breeders in North Brabant and Limburg and parts of Utrecht, Gelderland and Overijssl may be granted permission to expand, though the exemption criteria have not been announced.

These southern and eastern *provinces are where the Netherland's* 35,000 pig-breeders and 3,000 poultry-farms are located. The pig farms account for a Fl 8bn (£1.92bn) business, of which 60 per cent of the pork is exported. In the Fl 2.5bn *poultry industry 6bn of the* 10bn eggs produced :nnoully are exported.

The Dutch pig-breeding industry, which averages 284 pigs per farm, is intensive by international standards and could be expected to suffer under the proposals.

English crop area in June 4.34m hectares

THE TOTAL English crop area as at June this year stood at 4.34m hectares, up 2.4 per cent from a year previously, according to the final results of the *Ministry of Agriculture's June* farm census, published yesterday.

The biggest rise was in the wheat area, up 13.2 per cent to 1.85m ha. Total barley plantings were down 9.5 per cent at 1.44m ha, mainly due to a 29.5 per cent fall in spring sowings which was only partly made up by a 9.2 per cent rise in winter sowings.

The area planted to rapeseed continued to move ahead strongly, gaining 17.9 per cent to 257,000 ha.

The total cattle herd showed a 1.1 per cent decline at 7.97m head with the dairy herd falling by 4.9 per cent to 467,000 head. The pig herd also fell sharply, to 6.54m head, down 5.7 per cent. The national sheep flock, however, was up 1.3 per cent to 16.2m head.

The census showed a continuing decline in the agricultural labour force, which was down 1.2 per cent at 499,100.

Producer in metal trading venture

By Our Commodities Editor

AN INTERNATIONAL metals trading company has been formed in a joint venture between Falconbridge of Canada and Metdist, "ring"—dealing members of the London Metal Exchange. Called Arkay Metals, the company will specialise in trading free market nickel and cobalt but will not be tied to supplies from Falconbridge.

Mr Oliver Ghillie has been appointed commercial director of Arkay Metals with effect from January 1. The company will be housed in Medist's London office.

Falconbridge's entry to metals trading is further recognition, by major mine producers, of the growing importance of the free market and of the London Metal Exchange in influencing price prices

The nickel futures market was launched by the Metal Exchange in early 1979 in the face of fierce opposition from leading nickel producers, who used to control

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse 3,125-3,225.

BISMUTH: European free market, min 99.99 per cent, $ per lb, *tonne lots in warehouse* 6.35-6.55.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 1.08-1.16, sticks 1.12-1.20.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 11.40-11.55.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse 302-309.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.89-3.00.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse 9.20-9.75.

TUNGSTEN ORE: European free market, *standard min* 65 percent, $ per tonne unit WO_3, cif 72-77.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.10-2.25.

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 15.50.

LONDON MARKETS

THE WEAKNESS of sterling encouraged gains on the London cocoa futures market but prices ended below traded highs. The March quotation closed at £1,833.50, up £12 on the day.

Coffee prices also moved up on currency considerations in early trading but were trimmed back later following a downturn in New York and sterling's partial rally against the dollar. The March position closed £15 down at £2,212 a tonne after reaching £2,247 at one time.

World sugar values steadied in the afternoon after losing ground early on and nearby positions on the London futures markets ended a few cents higher. The rally was encouraged by New York's stronger opening

COPPER

TIN

LEAD

ZINC

MAIN PRICE CHANGES

ALUMINIUM

NICKEL

SILVER

GOLD

COCOA

COFFEE

INDICES

FINANCIAL TIMES

Dec. 17	Dec. 14	M'th ago	Year ago
288.31	287.37	293.97	294.67

(Base: July 1 1952 = 100)

REUTERS

MOODY'S

DOW JONES

GRAINS

POTATOES

OIL

SPOT PRICES

RUBBER

SOYABEAN MEAL

PIGMEAT

SUGAR

U.S. MARKETS

GOLD and silver continued under pressure despite evidence of profit-taking and speculative buying as overseas selling continued to be a depressing influence, reports Heinold Commodities. Copper was steady as light buying emerged on the early in stock values along with the ent in the U.S. prime rate. Sugar found limited support on trade buying possibly linked to new sales to the USSR or India. Cocoa continued featureless with some traders reluctant to pursue the short side due to the slow pace of Bahia arrivals. Coffee was sharply lower on long liquidation ahead of December expiry. Cotton showed a firm tone in the nearbys based on recurring concerns over quality problems. Heating oil prices advanced slightly on short-covering ahead of the Opec meeting. Soybeans and wheat both responded to strong export premiums and finished higher on good commercial support.

COTTON 50,000 lb. cents/lb

	Close	High	Low	Prev
March	66.86	66.89	66.40	66.37
May	67.49	67.49	67.12	67.12
July	68.25	68.25	67.87	68.00
Oct	68.40	68.55	68.38	68.40
Dec	68.60	68.60	68.45	68.50
March	69.75	—	—	69.70
May	70.40	—	—	70.31

NEW YORK

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	67.25	67.47	67.12	67.42
Feb	66.07	66.50	66.05	66.40
April	67.42	67.67	67.35	67.55
June	67.07	67.42	66.10	67.27

OTHER MARKETS

COTTON

WOOL FUTURES

ROTTERDAM

هكذا على الأصل

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound at new low on oil fears

Sterling fell to its worst level ever yesterday as the market reacted to fears of lower oil prices. Opec ministers meet today in Geneva to discuss price differentials and production levels and there was concern that this could affect the price of North Sea oil. Ironically UK earnings from North Sea oil received another boost since oil payments are made in dollars. Despite the sharp fall, trading volume remained very low and there appeared to be very little to tempt traders back into the market this side of the New Year.

Sterling's index fell to 73.6 at the close, having touched 73.5 at noon. This was against Monday's close of 74.1 and a six months ago figure of 79.5. Against the dollar the pound touched an all-time trading low of $1.1795 before recovering a little to close at $1.1855-1.1865, itself a record closing low and down 50 points from Monday. Elsewhere it slipped to DM 3.6600 from DM 3.6875, its lowest level since April 1983 and SwFr 3.0125 from SwFr 3.0375. Against the yen it fell to Y292.50 compared with Y294.75 and FFr 11.2225 from FFr 11.3075.

The dollar finished a little lower as U.S. interest rates continued to ease. Federal funds touched 7 per cent at one point and another leading U.S. bank reduced its prime rate to 10¾ per cent. Euro-dollars also took a softer turn amid speculation of a reduction in the U.S. discount rate to 8 per cent. Figures for U.S. personal income were much in line with expectations although U.S. housing starts recorded an unexpected fall, providing further support for those suggesting a slow down in U.S. economic growth.

The dollar closed at DM 3.0870 against the D-mark down from DM 3.0890 on Monday and SwFr 2.5220 compared with SwFr 2.5490. It was also lower in terms of the yen at Y246.70 from Y247.50 and FFr 9.4575 from FFr 9.4725. On Bank of England figures, its index fell to 142.7 from 143.1.

D-MARK — Trading range against the dollar in 1984 is 3.1410 to 2.5533. November average 2.9906. Trade weighted index 120.8 against 125.3 six months ago.

The dollar was fixed at DM 3.0944 at yesterday's fixing in Frankfurt compared with DM 3.0965 on Monday and the Bundesbank sold a nominal $8.05m at the fixing. Early open market intervention by the authorities was dismissed as a technical move rather than any concerted attempt to influence the market. Trading volume was comparatively low with the dollar apparently shrugging off the potential effects of lower U.S. interest rates.

Elsewhere sterling fell to DM 3.6560 from DM 3.6900 as oil price fears undermined confidence. The Swiss franc was also lower at DM 1.2130 from DM 1.2138. Within the EMS the French franc rose slightly to DM 32.625 per FFr 100 from DM 32.615 as did the Belgian franc to DM 4.9820 per BFr 100 from DM 4.9790.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.7430	−0.35	+0.17	±1.5428
Danish Krone ...	8.14104	7.98484	−1.92	−1.40	±1.6421
German D-Mark	2.24184	2.22967	−0.54	−0.02	±1.1463
French Franc ...	6.87456	6.83684	−0.55	−0.03	±1.3659
Dutch Guilder...	2.52595	2.51703	−0.35	+0.17	±1.5165
Irish Punt	0.72569	0.713758	−1.64	−1.12	±1.6671
Italian Lira	1403.49	1373.71	−2.12	−2.12	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX

(Bank of England)

8.30 am	......	73.7	74.2
9.00 am	......	73.8	74.2
10.00 am	......	73.8	74.2
11.00 am	......	73.8	74.2
Noon	....	73.5	74.2
1.00 pm	......	73.5	74.1
2.00 pm	......	73.6	74.1
3.00 pm	......	73.7	74.1
4.00 pm	......	73.6	74.1

£ in New York

	December 18	Prev. close
£ Spot	$1.1810-1.1820	$1.1865-1.1875
1 month	0.10-0.07 pm	0.09-0.07 pm
3 months	0.26-0.22 pm	0.25-0.20 pm
12 months	0.05-0.10 dis	0.23-0.33 dis

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Dec 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1795-1.1885	1.1855-1.1865	0.13-0.10c pm	1.16	0.37-0.32 pm	1.16
Canada	1.5575-1.5680	1.5610-1.5630	0.08-0.17c dis	−0.91	0.12-0.26dis	−0.49
Nethlnd.	4.12-4.14½	4.13-4.14	1½-1¼c pm	3.99	4½-3⅞ pm	3.61
Belgium	73.28-73.72	73.45-73.55	5-9c dis	−1.14	13-21 dis	−0.92
Denmark	13.07-13.16	13.11½-13.12½	2⅝-3⅞ore dis	−3.09	7-8⅞ dis	−2.35
Ireland	1.1714-1.1795	1.1720-1.1740	0.42-0.58p dis	−5.11	1.09-1.33dis	−4.84
W. Ger.	3.64⅝-3.67⅛	3.65⅞-3.66⅞	1½-1¼pf pm	4.10	3⅞-3½ pm	4.03
Portugal	195.70-198.35	196.35-197.85	185-610c dis	−24.21	530-1670dis	−22.33
Spain	202.00-203.10	202.10-202.50	60-80c dis	−4.45	140-195 dis	−3.31
Italy	2,248⅛-2,267	2,253-2,254	8-12 lire dis	−5.32	25-29 dis	−4.79
Norway	10.57-10.63⅞	10.60⅞-10.61⅞	3⅞-3⅞ore dis	−3.96	8⅞-9⅞ dis	−3.49
France	11.18⅞-11.24⅞	11.21⅞-11.22⅞	1⅞-1⅞c dis	−1.60	2⅞-3⅞ dis	−1.02
Sweden	10.44-10.51½	10.47⅞-10.48⅞	1½-2ore dis	−2.00	5⅞-5⅞ dis	−2.12
Japan	291⅞-293⅞	292-293	0.88-0.80y pm	3.45	2.60-2.47 pm	3.47
Austria	25.60-25.76	25.72-25.75	4-2⅞gro pm	1.46	13⅞-9⅞ pm	1.81
Switz.	3.00⅞-3.03	3.00⅞-3.01⅞	1⅞-⅞c pm	4.23	3⅞-3⅞ pm	4.56

Belgian rate is for convertible francs. Financial franc 73.85-73.95. Six-month forward dollar 0.42-0.37c pm, 12-month 0.30-0.15c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1795-1.1885	1.1855-1.1865	0.13-0.10c pm	1.16	0.37-0.32 pm	1.16
Ireland†	1.0097-1.0120	1.0110-1.0120	0.57-0.52c pm	6.47	1.47-1.37 pm	5.62
Canada	1.3173-1.3204	1.3178-1.3183	0.22-0.25c dis	−2.14	0.52-0.57dis	−1.65
Nethlnd.	3.4775-3.4960	3.4850-3.4860	0.88-0.85c pm	2.97	2.51-2.48 pm	2.86
Belgium	61.92-62.14	61.95-62.05	9-10c dis	−1.84	21-23 dis	−1.42
Denmark	11.02⅞-11.08⅞	11.05⅞-11.06⅞	0.30-0.35ore dis	−0.35	0.77-0.83dis	−0.29
W. Ger.	3.0800-3.0983	3.0865-3.0875	0.82-0.77pf pm	3.08	2.36-2.31 pm	3.02
Portugal	165⅞-167	165-165½	175-525c dis	−25.19	500-1450dis	−23.39
Spain	170.72-171.19	170.90-171.10	62-75c dis	−4.80	160-185 dis	−4.03
Italy	1,898½-1,907	1,898½-1,899½	10-10½ lire dis	−6.54	26-27 dis	−5.57
Norway	8.93-8.96	8.94½-8.95	3.40-3.90ore dis	−4.89	9.40-9.90dis	−4.31
France	9.45⅞-9.48⅞	9.45½-9.46	1.85-2.00c dis	−2.44	4.50-4.90dis	−1.98
Sweden	8.82-8.86⅞	8.83⅞-8.83⅞	1.80-2.30ore dis	−2.78	5.80-6.30dis	−2.74
Japan	246.50-247.15	246.65-246.75	0.51-0.47y pm	2.38	1.50-1.45 pm	2.39
Austria	21.63⅞-21.73⅞	21.68-21.70	1½-½gro pm	0.55	6⅞-3⅞ pm	0.92
Switz.	2.5210-2.5535	2.5215-2.5225	0.73-0.67c pm	3.29	2.29-2.23 pm	3.54

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.25-62.35.

OTHER CURRENCIES

Dec. 18	£	$		£ Note Rates
Argentina Peso..	190.14-190.45	160.73-160.85	Austria............	25.60-25.90
Australia Dollar..	1.4155-1.4175	1.1950-1.1955	Belgium	73.50-74.30
Brazil Cruzeiro...	3,540-3,568	2,993-3,008	Denmark...........	13.06-13.18
Finland Markka..	7.6165-7.6346	6.4400-6.4420	France..............	11.18-11.29
Greek Drachma..	149.05-152.04	125.60-128.14	Germany............	3.66-3.69
HongKong Dollar	9.2740-9.2840	7.8300-7.8330	Italy	2245-2275
Iran Rial	110.90*	93.20*	Japan................	291-296
KuwaitDinar(KD)	0.35800-0.35880	0.30345-0.30355	Netherlands.......	4.11¾-4.15¾
Luxembourg Fr..	73.45-73.55	61.95-62.05	Norway	10.56-10.66
Malaysia Dollar..	2.8870-2.8630	2.4125-2.4145	Portugal............	201-211
New Zealand Dlr.	2.4490-2.4540	2.0675-2.0705	Spain................	198-208¼
Saudi Arab Riyal	4.2155-4.2240	3.5605-3.5615	Sweden.............	10.44-10.55
Singapore Dollar	2.5730-2.5790	2.1730-2.1750	Switzerland.......	3.01-3.04
Sth African Rand	2.2889-2.2975	1.9215-1.9285	United States......	1.17¾-1.19¾
U.A.E. Dirham....	4.3475-4.3566	3.6720-3.6750	Yugoslavia.........	260-319

* Selling rates.

CURRENCY MOVEMENTS

Dec 18	Bank of England Index	Morgan Guaranty Changes%
Sterling	73.6	−16.7
U.S. dollar............	142.7	+29.0
Canadian dollar......	90.4	−3.1
Austrian schilling..	110.8	+5.5
Belgian franc.........	88.9	−10.4
Danish Kroner	76.7	−5.4
Deutsche mark.......	120.8	+6.3
Swiss franc............	140.3	+9.8
Guilder..................	110.7	+3.0
French franc..........	63.9	−16.3
Lira.......................	46.8	−14.0
Yen.......................	156.8	+12.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 18	Bank rate %	Special Drawing Rights	Europ'n Currency Unit
Sterling	—	0.836548	0.609560
U.S. $.........	8½	0.988130	0.721109
Canadian $..	10.56	*	0.951432
Austria Sch.	4½	21.4692	15.6553
Belgian Fr...	11	61.3629	44.7430
Danish Kr....	7	10.9440	7.98484
Dmark	4½	3.06767	2.22967
Guilder.......	5	3.45203	2.51703
French Fr....	9½	9.37439	6.83684
Lira............	16½	1884.13	1373.71
Yen............	5	244.463	178.186
Norwgn.......	8	8.84278	6.45826
Spanish.......	½	169.018	123.382
SwedishKr..	9	8.73468	6.37713
Swiss Fr.....	4	2.52121	1.83965
Greek D'ch	20½	125.512	91.5718
Irish Punt....	12¾	N/A	0.713758

* C$/SDR rate for Dec 17: 1.30472

EXCHANGE CROSS RATES

Dec. 18	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Frank
Pound Sterling	1.	1.186	3.660	292.5	11.22	3.013	4.135	2254.	1.562	73.50
U.S. Dollar	0.843	1.	3.087	246.7	9.458	2.522	3.486	1899.	1.317	62.00
Deutchemark	0.273	0.324	1.	79.92	3.066	0.823	1.130	615.7	0.427	20.08
Japanese Yen 1,000	3.419	4.055	12.51	1000.	38.37	10.30	14.14	7704.	5.340	251.3
French Franc 10	0.891	1.057	3.261	260.6	10.	2.684	3.685	2008.	1.392	65.49
Swiss Franc	0.332	0.394	1.215	97.10	3.725	1.	1.373	748.0	0.519	24.40
Dutch Guilder	0.242	0.287	0.886	70.74	2.714	0.729	1.	545.0	0.378	17.78
Italian Lira 1,000	0.444	0.526	1.624	129.8	4.980	1.337	1.835	1000.	0.693	32.62
Canadian Dollar	0.640	0.759	2.343	187.3	7.185	1.929	2.647	1443.	1.	47.06
Belgian Franc 100	1.361	1.614	4.980	398.0	15.27	4.099	5.626	3066.	2.125	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term [illegible] per cent; seven days [illegible] per cent; one month [illegible] per cent; three months [illegible] per cent; six months [illegible] per cent; one year [illegible] per cent. Long-term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London keeps its nerve

Interest rates moved nervously higher for the longer periods on the London money market yesterday. This followed sterling's fall to a record low on the foreign exchanges, but as the pound picked up from its worst levels touched just before noon, interest rates eased back slightly.

Three-month interbank showed little reaction throughout, trading at [illegible] per cent, compared with [illegible] per cent on Monday, while discount houses buying rates for three-month bank bills firmed slightly to [illegible] per cent from [illegible] per cent.

In general the market showed little sign of nerves, with dealers more concerned about today's credit shortage, which is expected to be very substantial as a result of VAT payments. This will follow two days of very comfortable conditions however, and it is hoped that the houses will now have sufficient bills to sell to the Bank of England to relieve the shortage without too much trouble.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23.

Despite the weakness of sterling sentiment was helped by the overnight decline of U.S. interest rates, a situation which continued when New York began trading again. Federal funds finished at 7⅞ per cent on Monday and fell to 7 per cent in early trading yesterday, while Bankers Trust followed Manufacturers Hanover in cutting its prime rate by ½ per cent to 10¾ per cent. The Federal Open Market Committee concluded its regular meeting amid continued speculation about a possible reduction in the Federal Reserve's discount rate.

The Bank of England forecast a very small market shortage of £50m, and provided help on the day of £60m. There was no intervention before lunch, and in the afternoon the authorities bought £60m bank bills outright in band 2 (15-33 days maturity) at an unchanged rate of 9⅝ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £121m, with the unwinding of repurchase agreements absorbing £68m, and a rise in the note circulation ahead of Christmas another £230m. These were largely offset by Exchequer transactions adding £275m to liquidity and bank balances above target by £80m.

MONEY RATES

Dec. 18	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.40-5.50	11¼	[illegible]	[illegible]	6.28125	[illegible]	[illegible]	[illegible]
One month	5.75-5.90	[illegible]	[illegible]	[illegible]	6.53125	[illegible]	[illegible]	[illegible]
Two months	5.70-5.85	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Three months	5.70-5.85	[illegible]	[illegible]	[illegible]	6.28125	[illegible]	[illegible]	[illegible]
Six months	5.70-5.85	[illegible]	[illegible]	[illegible]	—	—	[illegible]	[illegible]
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	[illegible]	—	[illegible]	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Dec. 18 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
2 days notice	—	—	[illegible]	—	—	—	—	—	—	—
7 days or 7 days notice	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—
Nine months	[illegible]	[illegible]	—	—	—	—	—	—	—	—
One year	[illegible]	[illegible]	10	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	—	[illegible]	[illegible]	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	[illegible]	—	—	—	—
Three years	—	[illegible]	—	—	—	—
Four years	—	[illegible]	—	—	—	—
Five years	—	[illegible]	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period November 7 to December 4 1984 (inclusive): [illegible] per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): [illegible] per cent from December 1 1984. London and Scottish Clearing Bank Rates for lending [illegible] per cent. London Deposit Rates for sums at seven days' notice [illegible] per cent. Treasury Bills: Average tender rates of discount [illegible] per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month [illegible] per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months [illegible] per cent; nine-12 months [illegible] per cent. Under £100,000 [illegible] per cent from November. Deposits held under Series 5, [illegible] per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. December 18)
3 months U.S. dollars

bid 9 9/16	offer 9 11/16

6 months U.S. dollars

bid 9 1/8	offer 9 1/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	[illegible]
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	—

Treasury Bills

One month	8.05
Two month	8.05
Three month	8.02
Six month	7.57
One year	8.29

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

Eurodollars firm

Dollar denominated interest rate contracts were very firm on the London International Financial Futures Exchange yesterday. The failure of the Federal Reserve to drain liquidity from the New York banking system on Monday, when Federal funds fell below 8 per cent. increased speculation about a cut in the U.S. discount rate. Eurodollar and Treasury bond contracts also received a boost from the ½ per cent cut to 10¾ per cent in bank prime lending rates. The announcement of a fall in November U.S. housing starts came as a surprise and added to the generally very bullish mood, since it pointed to slower economic growth, giving more room to reduce interest rates.

March Eurodollars opened at 90.54, and after touching 90.70 closed at 90.64, compared with 90.38 previously.

Treasury bonds for March delivery began at 71-26, and finished at 72-09, against 71-10 on Monday.

Gilts opened steady at 107-15 for the March contract, but failed to sustain this level, as prices on the cash market fell and sterling slumped to a record low on the foreign exchanges. After falling to a low of 106-28 it rallied however, following the news about U.S. housing starts, and on publication of the November UK Public Sector Borrowing Requirement, which was regarded as satisfactory.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.64	90.70	90.52	90.38
June	90.12	90.16	89.99	89.86
Sept	89.66	89.70	89.65	89.39
Dec	89.24	89.27	89.24	89.00
March	88.89	—	—	88.63

Est volume 4,214 (3,715)
Previous day's open int 9,103 (8,987)

THREE-MONTH STERLING £250,000 points of 100%

	Close	High	Low	Prev
March*	90.14	90.26	90.05	90.21
June*	89.95	90.03	89.90	90.04
Sept*	89.78	89.87	89.78	89.87
Dec*	89.53	—	—	89.58
March*	89.41	—	—	89.49

Est volume 1,118 (60)
Previous day's open int 4,794 (4,697)
*£500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	107-28	108-00	107-17	107-31
March	107-08	107-17	106-28	107-13
June	106-21	—	—	106-28
Sept	109-25	—	—	110-10
Dec	109-14	—	—	109-25

Est volume 3,329 (20,262)
Previous day's open int 3,802 (3,655)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −10 to −2 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.1822	1.1860	1.1786	1.1883
June	1.1815	1.1855	1.1794	1.1883
Sept	1.1820	—	—	1.1890

Est volume 4,072 (32)
Previous day's open int 5,454 (5,450)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3264	0.3266	0.3256	0.3252

Est volume 9 (1)
Previous day's open int 149 (149)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3966	—	—	0.3946

Est volume nil (nil)
Previous day's open int 113 (113)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4074	—	—	0.4061

Est volume nil (nil)
Previous day's open int 127 (270)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	121.50	121.50	120.85	121.35
March	121.80	121.80	121.05	121.50
June	122.00	—	—	121.90

Est volume 445 (173)
Previous day's open int 1,144 (1,162)

U.S. TREASURY BONDS (8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	73-09	74-00	73-09	72-29
March	72-09	72-19	71-26	71-10
June	71-21	—	—	70-20

Est volume 2,489 (1,817)
Previous day's open int 1,981 (1,895)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	73-10	73-17	73-03	72-15
March	72-11	72-21	72-08	71-19
June	71-19	71-29	71-18	70-30
Sept	71-00	71-06	71-00	70-11
Dec	70-15	70-21	70-15	69-26
March	70-00	70-05	70-00	69-11
June	69-19	69-24	69-19	68-30
Sept	—	—	—	68-18
Dec	—	—	—	68-07
March	—	—	—	67-29
June	—	—	—	67-20

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.16	92.20	92.09	92.05
March	91.83	91.88	91.75	91.66
June	91.35	91.42	91.25	91.16
Sept	90.93	90.99	90.89	90.75
Dec	90.58	90.65	90.55	90.40
March	90.27	90.32	90.27	90.07
June	89.95	90.00	89.95	89.80
Sept	89.66	89.66	89.66	89.53

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.68	91.70	91.58	91.53
March	91.03	91.08	91.00	90.85
June	90.52	90.54	90.48	90.31

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	90.65	90.70	90.56	90.47
June	90.11	90.17	90.05	89.92
Sept	89.63	89.68	89.53	89.45
Dec	89.21	89.27	89.21	91.05
March	88.88	88.92	88.88	88.69
June	88.58	88.61	88.58	88.38
Sept	88.29	88.29	88.29	88.09

STERLING (IMM) $s per £

	Latest	High	Low	Prev
March	1.1820	1.1830	1.1790	1.1850
June	1.1820	1.1820	1.1785	1.1845
Sept	1.1820	—	1.1820	1.1860
Dec	1.1800	1.1800	1.1795	1.1865

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	69-12	69-21	69-12	69-04
March	68-25	69-01	68-23	68-16
June	68-03	68-09	68-02	67-25
Sept	—	—	—	67-08
Dec	—	—	—	66-25
March	—	—	—	—
June	—	—	—	65-30

INTL. CAPITAL MARKETS

EUROBONDS

Bond prices advance on hope of falling rates

BY MAGGIE URRY IN LONDON

THE EURODOLLAR bond market rallied sharply yesterday, but the gains caught new issue managers by surprise and no deals appeared.

Bond prices added at least ½ point on the back of falling interest rates and hopes of a discount rate cut.

The three Prudential issues, which total over $1bn, were the most obvious targets for buyers and all were pushed up. The 10-year issue, in demand because of a lack of paper in that area, traded best.

Floating rate note issues, the coupons of which have recently been refixed – giving the longest period at the higher interest rates – gained as much as 10 basis points as Eurodollar deposit rates fell by ⅛ a point.

BHF Bank bond average		
Dec 18		Previous
102.867		102.843
High	1984	Low
103.042		98.056

Fears that the Japanese Ministry of Finance might introduce a capital gains tax on zero coupon issues did not have much impact on existing issues. The longer-term effect of such a tax could be more serious, as Japanese investors are big buyers of zero coupon issues.

In the D-Mark bond market, Deutsche Bank launched the World Bank's DM 500m issue into a firming market. The 10-year bonds have a 7⅛ per cent coupon and par issue price. They traded well, at about 99½ compared with a 1⅜ per cent selling concession.

Swiss franc bond prices were little changed in quiet trading.

Credit Suisse was able to cut the coupon for the SwFr 50m private placement for Keihin Electric Express Railway from 3⅝ per cent to 3⅜ per cent. The equity warrants give the right to buy the shares at a 2½ per cent premium.

Strong demand for the Peugeot European currency unit issue, worth Ecu 50m, allowed Société Générale de Banque to set a 100⅜ issue price for the deal. The coupon stays at 10⅛ per cent for the five-year bonds.

Eulabank to omit dividend

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

THE 22 bank shareholders of Eulabank, the London-based consortium bank which specialises in Latin American lending, have foregone their dividend for the third consecutive year in order to build up the bank's reserves.

In its latest annual report released yesterday, Eulabank says it is making provisions against loans "which are doubtful of collection or where the country risk demands such provision", but it gives no details.

Virtually all the bank's loans are in Central or South America, the main countries being Brazil (26.5 per cent of the total), Argentina (15.9 per cent), Chile (15.4 per cent), Mexico (13.4 per cent) and Venezuela 8.8 per cent.

After-tax profits for the year ending September 30 were £4.6m ($5.42m), up slightly from £4.5m last year. Total assets rose from £713m to £950m, but much of the increase was due to the strength of the dollar, in which most of its loans were denominated. Because of the decision to omit the dividend, total capital and reserves increased from £33.3m to £38m.

Eulabank is half owned by 11 European banks, including Barclays, and half by 11 Latin American banks representing the large countries in the region.

Mr George Munson, the general manager, said the bank had adopted a "very conservative" provisioning policy. He was confident that the Latin American situation would improve so long as interest rates stayed at reasonable levels and trade was healthy.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 18.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅞ 88	150	†102⅞	103⅜	+0⅝	+1⅛	11.54
Austria Rep 13⅝ 92	100	110	110½	+0⅛	+0⅝	11.40
Bank of Tokyo 13⅝ 91	100	107½	108	+0½	+0⅝	11.61
Caisse Nat Tele 13¾ 91	100	106⅝	107⅛	+0¼	+0½	12.06
Canadian Pac 12½ 99	75	†102¾	103¾	+0⅝	+1⅛	12.02
Chevron U.S.A. 12¼ 89	600	101⅝	102⅛	+0⅜	+0⅝	11.48
Creditanstalt 13⅛ 91	100	104⅛	104⅝	+0⅜	+0½	12.06
Denmark Kingdom 13 91	100	104⅛	104⅝	+0⅜	+0⅜	11.55
Denmark Kingdom 13⅛ 91	100	†104⅜	104⅞	+0⅞	+0⅜	12.18
Denmark 13⅞ 88 XW	100	105¾	106¼	+0½	+0⅝	11.70
Denmark Kingdom 14 91	100	106½	107	+0⅜	+0½	12.39
E.I.B. 12½ 90	100	103	103½	+0¼	+0¼	11.61
E.I.B. 12⅞ 94	100	104⅝	105⅛	+0¼	+0⅜	11.95
E.I.B. 13 98	200	103⅞	104⅜	+0¼	+0⅝	12.28
Ex-Im Bk Japan 13¼ 91	75	110⅝	111⅛	+0⅛	+0⅝	10.75
Export Dev Corp 12 89	100	102¼	102¾	+0⅜	+0⅝	11.28
Exxon Capital Corp 0 2004	1800	12⅜	12⅝	+0⅛	+0½	11.01
Florida Fed Sav 12⅝ 89	100	101¾	102¼	+0⅜	–0⅛	11.72
General Mills 12 91 XW	100	†97⅞	98⅜	0	0	12.42
IBM Credit Corp 11¾ 87	200	†102¾	103¼	+0½	+0⅝	10.41
Indust Bk Japan 12⅞ 88	100	103½	104	–0¼	0	11.78
Indust Bk Japan 13⅞ 91	125	109⅝	109⅞	+0½	+0⅞	11.65
Int-Am Dev Bk 12⅞ 91	150	102½	103	+0¼	+0⅝	12.12
Japan Air Lines 13⅝ 94	100	†109⅞	110⅜	+0⅜	+0⅞	11.55
L.T.C.B. 12⅞ 91	100	103¾	104¼	+0⅜	+0⅞	11.97
Macy Cred Corp 11¾ 85	100	97¾	98¼	+0½	+0½	12.00
Mellon Bank 13 87	100	102	102½	–0⅛	–0⅛	11.91
Merrill Lynch 12¾ 88	100	101½	102	+0¼	+0½	12.21
Minnesota 11½ 87	100	†100⅞	101⅜	+0½	+0½	10.98
Mitsubishi Corp 13¼ 89	100	106⅞	107⅜	+0½	+0⅝	11.15
Montagu 13¼ 91	100	*†104⅞	105⅜	+0½	+0⅛	12.11
Morgan Guaranty 12¼ 89	150	101½	102	+0⅜	+0½	11.87
Morgan Guaranty 12⅜ 89	150	†101⅝	102⅛	+0⅜	+0½	11.81
Nippon Cred Bk 13⅞ 89	100	106⅛	106⅝	+0⅜	+0⅜	11.93
Nova Scotia Pro 11¾ 91	100	†99	99½	+0¼	+0½	11.91
Nth America 12⅞ 91	100	102⅜	102⅞	–0⅜	0	12.26
Penney J.C. 12¾ 91	100	†103⅜	103⅞	+0½	+0⅜	11.91
Quebec Hydro 11½ 92	100	†101¼	101¾	+0⅛	+0⅜	11.20
Quebec Province 12¼ 94	150	100⅝	101⅛	+0⅛	+0⅜	12.05
Ralston Purina 12⅝ 89	100	103⅞	104⅜	+0⅜	+0⅜	11.83
Royal Bk of Can 11½ 89	100	99½	100	+0¼	+1	11.55
Royal Bk Can 12¾ 92 XW	100	100¼	100¾	+0⅛	+0⅛	12.62
Saskatchewan 11 7/8 88	100	†101⅛	101⅝	+0⅜	+0⅜	11.48
Sears O/S Fin 11⅝ 91	150	100⅝	100⅞	+0¼	+0⅞	11.46
Sec Pac O/S Fin 12 92	100	99⅛	99⅝	+0¼	+0½	12.11
S.N.C.F. 12⅜ 92 XW	100	100	100½	+0⅜	+0⅜	12.32
Statoil 12 88	100	102⅛	102⅝	+0¼	+0⅜	11.06
Statoil 13½ 89	100	107⅝	108⅛	+0¼	+0½	11.17
Sumitomo Fin 12¾ 91	150	102½	103	+0¼	+0¼	12.07
Swed Exp Cred 12⅝ 89XW	100	102⅞	103⅜	+0⅜	+0⅜	11.81
Texaco Capital 12⅞ 87	300	103⅛	103⅝	+0⅜	+0⅜	11.20
Texaco Capital 13½ 89	200	106⅛	106⅝	+0¼	+0⅜	11.50
Tokyo Met 12⅞ 94	50	†105⅞	106⅜	+0½	+0½	11.76
Toronto Dom Bk 12½ 88	100	†101	102	0	–0⅜	11.87
Walt Disney Pro 12½ 87	150	†102⅞	103⅜	+0⅜	+1	11.09
Weyerhaeuser 12⅝ 87	150	101½	102	+0⅜	+0⅝	11.45
World Bank 12¼ 94	150	101⅞	102⅜	+0⅛	+0⅜	11.87
World Bank 12⅝ 94	200	104½	105	+0⅜	+0½	11.99
Yasuda Tst&Fin 12⅝ 89	100	100⅞	101⅜	+0⅜	+0⅜	11.98

Average price change On day +0¼ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	101⅞	102⅜	+0⅜	+0⅛	7.15
Amca Int'l 8¼ 91	100	103⅝	104⅛	+0⅜	+0½	7.40
Asian Dev Bank 8 94	200	102⅞	103⅜	+0⅛	0	7.51
Austria Republic 7⅝ 94	200	102½	103¼	+0⅛	0	7.18
Baxter Travenol 7¼ 94	200	100⅝	101	+0¼	+0⅜	7.15
Credit National 8⅛ 94	200	104⅛	104⅞	+0⅛	+0⅜	7.42
Degussa Int Fin 7½ 94	100	103¾	104½	+0⅜	–0⅛	6.87
E.E.C. 8 92	200	103½	104¼	+0¼	–0⅛	7.28
E.I.B. 8 91	250	104½	105¼	+0⅛	+1⅜	7.00
Escom 8 92	150	100	100¾	+0⅛	–0⅜	7.92
Ferrovie Dello Stato 8 91	100	101⅞	102⅝	+0⅛	+0⅝	7.53
Finland Rep 7½ 91	150	103⅛	103⅞	+1	+1½	6.87
Gould Int Fin 7⅜ 91	100	101¼	102	+0⅜	+0⅜	7.29
Int Standard Ele 7⅜ 90	100	102⅝	103⅜	0	+0⅜	6.74
Ireland 8⅛ 92	150	102⅝	103⅜	+0¼	+0⅜	7.57
Japan Fin Corp 7⅜ 91	100	102⅞	103⅝	+0⅜	+0¼	6.88
Mogal Fin 8¼ 94	150	102½	103¼	0	–0⅛	7.79
Mitsubishi Hvy 3½ 89WW	300	103⅛	103⅞	0	–0⅛	2.82
Mitsubishi Hvy 3½ 89XW	300	90	90¾	0	–0⅛	6.11
O.K.B. 7½ 88	100	100⅝	101⅜	+0¼	+0¼	7.27
Pepsico O/S Fin 7¼ 94	250	102¾	103½	+0⅛	+0⅛	6.78
Reynolds O/S Fin 7⅞ 94	125	101¾	102½	0	0	7.17
Societe Cent Nucleair 8 91	100	102⅝	103⅜	+0⅛	0	7.30
Sth Africa Rep 8½ 91	200	103	103¾	+0⅛	–0⅜	7.85
World Bank 7⅜ 89	100	100¾	101½	+0⅛	0	7.41
World Bank 8 94	200	104¼	105	0	–0⅛	7.28

Average price change On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 6¼ 96	100	*†100¾	101	–2	–2½	6.02
Asian Dev Bank 6⅞ 94	100	†102	102¼	–0¼	–1	5.95
Consol Foods 5¾ 94	200	†103¼	103½	–0½	–0¼	5.28
Credit Foncier 6 94	120	†100½	100¾	–0⅝	–0½	5.91
E.I.B. 5⅞ 94	120	†100¼	100½	+0¼	+0½	5.82
Electric Power 5¾ 94	100	†100¾	101	–0¾	–1	5.82
Euratom 6¼ 94	90	*†102	102¼	–0½	+0¼	5.95
Eurofima 5¼ 96	100	†100⅞	101⅛	+0⅝	+0⅜	5.13
FGH 5⅝ 92	110	†98¼	98½	–0½	–0½	5.92
G.D.Int 5¾ 92	70	†99¾	100	0	–0¾	6.76
Int-Am Dev Bk 6¼ 94	120	†102½	102¾	+0½	+0¼	5.88
Japan Fin Corp 5⅝ 92	100	†99¾	100	+0½	+0½	6.64
Japan Highway 5⅛ 92	150	†98¾	99	0	–0⅛	5.58
Kansai Ele Power 6⅛ 92	100	*†102¼	102½	–0¼	0	5.88
Manitoba Prov 5¾ 94	100	†103½	103¾	–0½	0	5.25
New Brunswick 5⅝ 94	100	†101½	101¾	–0⅛	–0⅛	5.40
New Zealand Govt 5⅝ 94	150	†100	100¼	0	+0⅛	5.73
Oesterr-Hydro 5⅞ 94	150	†102½	102¾	–0⅛	–0⅜	5.51
Santos Finance Ltd 6 94	130	†101¼	101½	–0⅛	–0½	5.81
Shikoku Elec Pwr 5⅝ 92	100	*†101¼	101½	+0⅜	+0⅛	5.64
State Bk N.S.W. 5¾ 94	100	†100¾	101	0	–0⅛	5.63
Statsforetag 6 92	75	†101¼	101½	0	–0½	5.78
Total 5⅝ 94	80	†100½	100¾	–1	–1	5.79
Wang Lab 4¾ 99	200	†103½	103¾	0	–1½	4.41
World Bank 6⅛ 94	200	†102½	102¾	–0⅜	–0½	5.76

Average price change On day –0¼ on week –0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bk 7⅜ 94	15	100½	101	+0⅛	+0⅛	7.25
Eurofima 7⅜ 94	10	101⅜	101⅞	+0⅛	+0⅛	7.12
Int-Am Dev Bk 7½ 94	15	101	101½	+0⅛	–0⅛	7.28
New Zealand 7⅛ 90	15	100⅝	101⅛	–0⅛	0	6.88
World Bank 7 94	20	99⅝	100⅛	+0⅛	0	7.01

Average price change On day +0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Chrysler Credit 14 91 CS	50	†103½	104	0	+0⅛	13.12
Denmark Kingdom 13 89 CS	100	†101⅝	102⅛	0	–0⅛	12.43
Fed Business 12½ 87 CS	50	†101⅜	101⅞	0	–0⅛	11.73
Maritime 13¼ 94 CS	30	†102⅝	103⅛	0	+0⅛	12.70
Metro Toronto 13 94 CS	60	†105⅛	105⅝	0	+0⅛	12.00
Trizec Corp 13 89 CS	50	†100⅝	101⅛	0	+0⅛	12.68
Vancvr City 12¾ 94 CS	82	†104⅝	105⅛	0	+0⅛	12.39
Winnipeg City 12¾ 91CS	50	†102¼	102¾	0	0	12.16
World Bank 12⅜ 91 CS	75	*†103⅝	104⅛	0	+0⅛	11.63
E.I.B. 10⅝ 90 ECU	50	104	104½	–0⅛	+0⅜	9.74
E.I.B. 11⅛ 94 ECU	50	106¼	106¾	–0⅛	+0⅜	10.16
L.T.I 11 89 ECU	80	104⅛	104⅝	–0⅛	+0½	9.78
Aegon 8¼ 89 FL	100	104¼	104¾	+0⅛	+0⅛	7.07
Algemene Bk 7¾ 89 FL	150	103⅜	103⅞	+0⅜	+0⅜	6.84
Dai-ichi 8½ 89 FL	50	102⅝	103⅛	+0⅜	+0⅜	7.72
Friesch-Gron 8¼ 89 FL	50	102½	103	+0⅜	+0⅜	7.65
New Zealand 8¼ 89 FL	100	104	104½	+0⅛	0	7.11
Charbonnages 13⅞ 85 FF	400	101⅞	102⅜	0	0	11.22
Air Canada 11¼ 94 £	40	101	101½	–0⅜	–0½	11.01
Cecl Europe 11⅜ 92 £	50	†99⅝	100⅛	–0½	–0⅜	11.38
Denmark 10⅜ 89 £	75	97⅞	98⅜	–0⅜	–0⅜	11.37
Denmark 11⅜ 84 £	75	†101¼	101¾	–0⅛	–0½	11.53
E.E.C. 11⅜ 94 £	50	100½	101	–0⅛	–0⅜	11.23
E.I.B. 10⅝ 92 £	50	96⅞	97⅜	–0⅛	–0⅜	11.40
ICI Finance 8½ 99 £	100	105⅝	106⅛	–0⅛	+3½	7.81
Ireland 11⅜ 94 £	50	97¼	97¾	–0⅛	–0⅜	11.88
New Zealand 10⅝ 89 £	100	97⅛	97⅝	–0⅜	–0½	11.38
O.K.B 12⅛ 91 £	30	104⅛	104⅝	0	0	11.23
Royal Trustco 12¼ 89 £	30	†102¾	103½	–0⅜	–0⅜	11.29
SNCF 11¼ 94 £	80	99⅛	99⅝	+0⅛	–0½	11.34
Sth Africa Rep 12½ 89£	40	*†101	101½	0	0	12.07
United Tech 11¾ 89 £	35	103⅝	104⅛	–0⅛	–0⅜	10.61
World Bank 10⅝ 89 £	100	97⅞	98⅜	+0⅜	–0½	11.23
E.C.S.C. 10½ 94LF	100	103	104	0	+0⅛	9.90
Nat Lux Alum 10½ 92 LF	600	103⅛	104⅛	+0⅛	+0⅛	9.77

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 98	0⅛	100⅛	100⅜	11/4	11.50	11.66
BankAmerica O/S 5⅛ 96	0⅛	100	100¼	28/12	11⅝	11.61
Bank of Montreal 5 96	0⅛	100⅛	100⅝	28/1	10¼	10.22
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/2	9⅞	9.85
Barclays O/S Inv 5 2004	0⅛	100⅝	100⅞	2/3	12.31	12.28
Belgium 5 2004	0⅛	†99	99½	11/4	13⅛	13.22
B.F.C.E. 5¼ 88	0⅛	100⅜	100⅝	13/3	12.19	12.13
B.N.P. 5⅛ 96 (July)	0⅛	100½	100¾	21/1	12.94	12.88
Chase Man'ta 5¼ 2009	0⅛	99⅝	99⅞	6/3	9.69	9.69
Citicorp O/S 5⅛ 98 Sep	0⅛	99¼	99½	19/12	11.19	11.28
Credit Lyonnais 5⅛ 98	0⅛	100½	100¾	11/4	11⅝	11.60
Dai-Ichi Kangyo 5⅛ 96	0⅛	†100	100½	13/5	10.09	10.04
Dresdner Fin 5¼ 89	0	99⅜	100	23/2	9.81	9.82
E.D.F. 5⅛ 99	0⅛	100¼	100½	23/2	12⅜	12.33
Ireland 5¼ 99	0⅛	100⅛	100½	14/3	12⅜	12.33
Italy, Republic 5 94	0⅛	99⅞	100⅛	8/5	9.94	9.94
Lloyds Euro 5 2004 §	0⅛	100⅛	100⅜	18/4	11½	11.47
Midland Int Fin 5 99 §	0⅛	100⅛	100⅜	6/3	12⅜	12.34
Mort Bk Denmark 5¼ 89+	0⅛	†100	100¼	11/1	11⅞	11.86
Nat West-Perp 5 89	0⅛	100½	100⅞	13/5	10⅜	10.31
Queensland Coal 5¼ 96	0⅛	100⅛	100½	9/5	10.06	10.02
Sweden Perp 5¼ 85	0⅛	100⅛	100⅜	9/2	13⅛	13.18
Takugin 5¼ 94 §	0⅛	100⅝	100⅞	15/3	12⅛	12.11
Tokai 5¼ 89	0⅛	†100⅛	100⅜	12/12	12½	12.44
Toyo 5⅛ 89	0⅛	100⅛	100⅜	14/12	12⅝	12.58

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	953.64	86	87	+0⅝	1.81
Fanuc 3⅛ 98	1/84	7032.3	154⅝	156⅛	–1⅛	0.85
Fujitsu 3 99	5/84	1328.9	101⅞	102⅞	–0⅛	4.71
Honda Motor 5⅛ 98	6/83	884	132⅝	133⅝	–2⅛	–2.96
Konishiroku Photo 4 98	10/83	873	87⅝	88⅝	–0⅛	4.11
Marui 3½ 99	7/84	1182	90	91	–0⅛	0.25
Minolta Co Ltd 5½ 98	5/83	667	99⅝	100⅝	–0⅛	1.14
Mitsubishi Elec 5⅛ 98	6/83	396	99⅝	100⅝	–0⅛	1.00
Murata 3½ 99	2/84	2351.2	100⅛	101⅛	–0⅛	6.61
Murata 3½ 2000	7/84	2350	105⅝	106⅝	–0⅛	8.67
Nippon Oil Co 3⅛ 99	3/84	1052	88⅝	89⅝	+0⅛	10.37
Nissan Motor 5⅛ 98	4/83	836.4	94⅛	95⅛	–0⅛	1.42
Oki Elec Ind 3½ 99	10/84	905	90⅝	91⅝	–0⅛	2.19
Orient Leasing 5¼ 98	6/83	2060	117⅛	118⅛	–0⅛	3.84
Secom 3⅝ 99	10/84	6434	81⅝	82⅝	–2⅛	8.63
Sekisui House 3 99	6/84	612	87	88	–0⅛	1.91
Sumitomo Corp 2⅞ 99	5/84	583	90⅝	91⅝	+0⅛	0.73
Takeda Riken 3⅝ 2000	10/84	7663	96⅝	97⅝	–0⅛	13.02
Tokyo Sanyo Elec 3½ 99	12/84	772	91½	92½	–0⅛	0.73
Yamanouchi Pharm'cal 4 98	10/83	1403.2	131⅝	132⅝	–0½	–2.60
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†105½	107½	–0⅛	13.37
Nippon Shinpan Co 2 92 SF	3/84	801	†94¼	96¼	+0⅛	25.74
Settsu Paper 2⅛ 92 SF	4/84	677	†150½	152½	+0⅛	0.01
Asics 5 92 DM	12/83	520	100⅝	101⅝	–0⅛	19.97
Sun Realty 6⅛ 92 DM	2/83	395	102⅛	103⅛	–4⅛	–3.91

* No information available–previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cb. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.